Coldstream Downs Dairy Farm Limited

Annual Report 2017/2018

Directors Annual Report

The final production for the 2017/2018 season was 283,032 kgMS achieved by our variable order sharemilker Peter Perkin. This was 10% behind the target of 315,000 kgMS and 11% behind the previous year's production. This is the lowest production for the farm, which is very disappointing. The final payout announced by Fonterra was $6.70/kgMS. We also received dividend payments totalling 30 cents per share for our 317,750 Fonterra Shares. As at the balance date, the term loan had a debit balance of $813,000, at an interest rate of 3.87 %

The biggest talking point for the year in Southland was *Mycoplasma bovis*, which surfaced at the grazing property of our rising 2 year old heifers and calves. As previously mentioned this saw the testing of the stock on that farm and the culling of all their bulls. The bulls were slaughtered, the remaining animals on the grazier's farm were tested three times, they were clear in all tests and our heifers were free to move back to Coldstream. It certainly was a trying time for all involved. Procedures were put in place to restrict movement of stock and vehicles on the Coldstream property, with all visitors coming onto the farm having to have clean boots etc. This procedure was introduced across the board on all farms in the country to help eradicate the risk to stock. Coldstream, like all other farms, has taken extra precautions to minimise any further risk to our stock.

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 was paid from the 1st June 2017 at a rate of 2.45%. With such a favourable interest rate the directors decided not to make any active repayments of the loan, but instead followed Fonterra' s repayment plan. This saw the automatic repayment of $38,158.91 in October 2017 from the final Fonterra retrospective payment and the balance has been paid in September 2018 of $44,189.19, paying this support loan in full.

A valuation of all land & buildings was completed by Logan Stone Limited and PGG Wrightson Limited for stock; summary documents are included in this annual report. Coldstream was given a total estimated value of $11,756,824.50. This was made up of the following values, land and buildings $8,435,000.00 live stock $1,679,057.50 and 317,750 Fonterra Shares which were valued at $5.17, or $1,642,767.50, decrease in share value of $263,732.50. This reflects a drop in total value of $328,732.00, including shares, livestock and land.

The share value for Coldstream from the current accounts gives a net asset backing value of $2.47 per share. For the 2017/2018 season the farm working expense (FWE) were $4.41/kgMS (Excluding interest). With slightly lower production and a good milk price Coldstream has finished the season with a cash trading surplus of $464,929 which is a better result than expected. The directors intend to pay a cash dividend of $135,000.00 to shareholders in December 2018. This equates to 3c per share plus imputation credits (Please note imputation credits only apply to New Zealand shareholders).

The total capital expenditure for the year was $156,559. This comprised of a $92,177 for a protrack system. LIC who operate the systems were offering a twenty month interest free payment terms, which the directors have taken advantage of. There was $53,744 for a new snap Chiller unit at the cowshed and $10,638 for a new pump.

Mid year saw a change in Farm Administrator with Dot McDermott taking over the position from Kate Murdoch. Will Dickie and Dot visited the farm early December at the beginning of what was a very dry period in the South Island. Dot got to meet Peter Perkins and look over the farm. They had the opportunity to talk about projects on hand currently.

The end of the 2017/2018 season also saw the end of Peter Perkin's time at Coldstream. The directors decided not to renew Peter Perkin's contract at Coldstream. We were disappointed with his performance. This change came about by the previous sharemilker reneging on his contract at the last minute for the 2017/18 season. Peter Perkins, who came in as a late replacement, had management and implementation difficulties despite increased supervision. This unfortunately cost us in production. We now have more stringent employment contract dates, to ensure we don't have a repeat situation. Jack Ballam and I have employed David and Erin Bradley for the current season, they have worked in the dairy industry for 8 years on farms with cow numbers from 400 to 1000. So far they have taken up the challenge of Coldstream. 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. David and Erin have signed a one year contract.

I would like to take this opportunity to thank my fellow Directors Jeff Whitlock, Stephen Barr, and our Farm Consultant, Jack Ballam for their continued support over the past year.

Current Season Update

The production forecast for the 2018/2019 season has been set at 315,000 kgMS. David and Erin Bradley have inherited some problems from the previous sharemilker and will end up milking less cows than the farm had last year. We have discussed this with our consultant and he is confident they can produce more milk from less cows and still meet our production target. We are hoping with reduced cow numbers and being able to feed the cows a little better that we achieve a higher percentage of in calf cows for next season and aim to lift production up closer to what was achieved in the 2016/2017 season. David and Erin certainly seem to be on track.

We have an issue with some white faced bull calves on the farm that we cannot sell until we have had two clear M Bovis tests, hopefully this will be achieved very soon.

The start of this season has seen the platform repaired, another drive installed along with a new variable milk lift pump and jetters at the shed. We have just upgraded the power supply to assist with the cooling problems that were had last season. The main house and one cottage have seen the replacement of floor coverings and a new fire place was installed into the main house and stove replaced in one cottage. Future work is needed on the main house kitchen, and the directors will look at this for the 2019/20 season.

As at 10th October, Fonterra has forecast a revised (lowered) milk price for the 2018/2019 season of $6.25 -$6.50.

In a move to minimise the impact on the farm business the directors have agreed to continue no principal payments for the 2018/2019 season and stay with interest only repayments. We have also re-financed the loan which now has interest rate of 3.76% floating.

A shareholders visit to the farm will be planned for March 2019.

At the AGM last year, we said we would bring three options to next year's AGM – to stay, to sell or for the company to buy back shares. Information around these options will be presented and discussed at the AGM. From the AGM, and discussions with those attending we will bring forward resolutions as necessary.

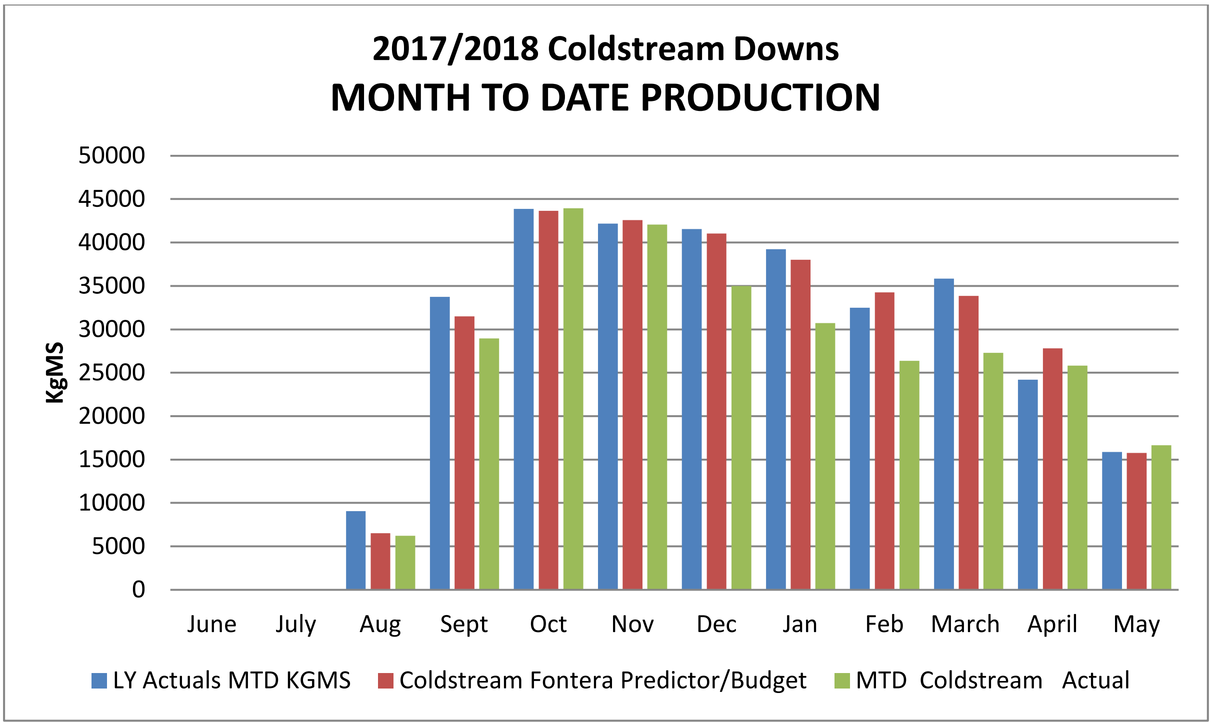
I look forward to seeing you at the AGM.

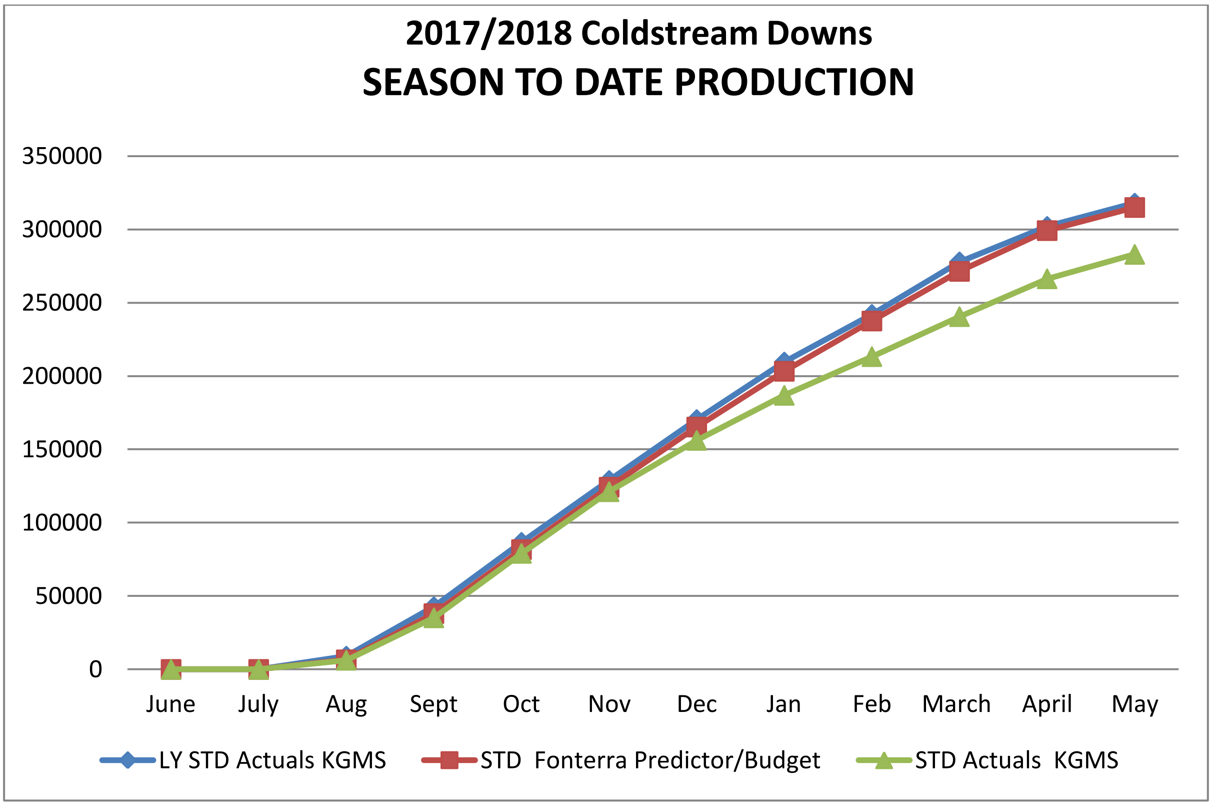
Kind Regards

Roger Dickie

Director

Coldstream Downs Dairy Farm Limited


2017/2018 Coldstream Downs
MONTH TO DATE PRODUCTION
KgMS
50000
45000
40000
35000
30000
25000
20000
15000
10000
5000
0
June
July
Aug
Sept
Oct
Nov
Dec
Jan
Feb
March
April
May
LY Actuals MTD KGMS
Coldstream Fontera Predictor/Budget
MTD Coldstream Actual


2017/2018 Coldstream Downs
SEASON TO DATE PRODUCTION
350000
300000
250000
200000
150000
100000
50000
0
June
July
Aug
Sept
Oct
Nov
Dec
Jan
Feb
March
April
May
LY STD Actuals KGMS
STD Fonterra Predictor/Budget
STD Actuals KGMS

Variable Order Sharemilker Report

David and Erin Bradley

The start to our first season on Coldstream has been kind weather wise, the cows were in good condition from winter feeding and the pasture cover on the farm was plentiful.

Cowshed:

The jetter system (plant washing system) has all been replaced and is now up to a very good standard.

After a lot of teething issues the plant wash is working well now too. A new milk lift pump has been installed and is keeping up with peak milk flows and also aiding the wash process without any flooding issues.

An extra platform drive has been added to the opposite side of the platform to allow better control and even start, stopping pressure evenly through the platform.

The power upgrade was completed last week. This has lifted the power available to 100Kw's.

After initial chilling problems on one vat that is now fixed and with the snap chill working the milk is entering the vats at around 5 degrees.

Housing:

After all the houses/cottages being left in a disgusting sub standard state we have added new carpet, ovens and some structural repairs. This just leaves us some painting to do in the summer.

The new fire in the main house is working great and appreciated, still needing carpet, which will be installed after calving, some painting and a few minor structural repairs to be finished. The houses and cowshed general maintenance that has not been completed until now was needed and we appreciate your approving and helping us with those repairs.

Cows:

Animal condition is very good and we are now concentrating on mating and bringing mating forward especially the very large number of late calving cows. This is not going to be easy and may take 4/5 years to get back to where we should be.

Early spring has been very good growing conditions and production is improving day by day. The reason for us being behind last season in our opinion is solely due to the very slow calving, we are confident of making this up, especially if we get a desirable summer.

We are looking forward to a good working relationship between the farm investors, Roger Dickie Ltd and all of us at Arahura Farming.

We believe after 12 months on the property we will be a lot more familiar with all aspects of the property and this will allow us to fine tune things.

Thanks and Regards,

David and Erin Bradley

Dairy Valuation with Inspection, Stock & Supplement Count

31/5/2018
Roger Dickie New Zealand Ltd
A/C ColdStream Downs Ltd

PGG Wrightson
46 Medway Street
Gore
P O Box 64, Gore
Telephone (03) 209 0300
Facsimile (03) 209 0188

Re: Valuation of Livestock

In accordance with the agreement to value livestock dated 29th May 2018, and subject to the terms of that agreement, we are pleased to provide a valuation of the livestock described below to establish their market value on 31st May 2018

We report as follows:

Tally	Age	Description	Value Ex. Gst	Total Ex. Gst
124	Rg1	Fri. & Fri.X, heifers - BW128, PW132, RA97%	$850.00	$105,400.00
136	Rg2	Fri. & Fri.X heifers - BW 93, PW110, RA92%	$1,600.00	$217,600.00
540	2-8yr	Fri. & Fri.X Cows	$1,800.00	$972,000.00
32	9yr+	Fri. & Fri.X Cows	$1,100	$35,200.00
0	3 Titters	Fri. & Fri.X cows	$0	$0.00
17	2-8yr	Incalf Carryovers	$1,400	$23,800.00
17	2-8yr	Carryovers - Empty	$900	$15,300.00
5	2-8yr	Cull Cows	$750	$3,750.00
60	2-8yr	Fri. & Fri.X cows - Late Calvers(Oct. calving)	$1,450	$87,000.00
	Totals	Ex GST		$1,460,050.00
	GST	15%		$219,007.50
	Total	Incl. GST		$1,679,057.50

Supplements

Tally		Description
38		Large Round Bales Straw
473		Large Round Bales Balage

Summary Stock Count – ColdStream Downs Ltd
124 Rg1 Heifers
136 Rg2 Heifers
671 M/A Cows.

Herd Details – PTPT Code: LXDB, Herd Code: 6/9254

Mixed aged cows – BW73, PW97, RA93%,
Rg2 Heifers PTIC – AI: 21/10/17 Tailed Jersey Bull removed 5/1/18. Calving from 30/7/18.

Herd: calving from 5th August 2018 – Top 80% herd 5 ½ weeks A.I - LIC Friesian Premium Sires, Bottom 20% herd – 5 ½ weeks A.I Short Gestation LIC Hereford, Tailed Hereford bull, removed 15/1/18.
Late Calvers: from 15th October

Herd Production 2017/18, 408m/s average per/cow.

Tallies
Tallies verified by the Independent Stock Count - forms attached.
All Stock are in Good condition and Health at time of inspection.

In arriving at our opinion as to market value, consideration has been given to recent sales of comparable livestock. This valuation has been prepared for the sole use of the addressee only. Thank you for your instructions in this matter. Should any portion of this report require further description or discussion, please contact the undersigned directly.

Yours faithfully

J. Rawcliffe

John Rawcliffe
Dairy Representative
PGG WRIGHTSON LTD

Disclaimer:

All details and descriptions as to livestock and/or chattels referred to have not been independently verified by PGG Wrightson. PGG Wrightson takes reasonable care to ensure accuracy and reliability in the information we provide you. However PGG Wrightson does not warrant that the information will be technically correct, reliable or accurate or that such information will satisfy any industry practice or statutory, regulatory or prudential requirements. PGG Wrightson, its employees and agents give no representation or warranty concerning the information's accuracy (including, but not limited to the accuracy or completeness of details and descriptions of livestock and chattels), quality or fitness for any purpose. PGG Wrightson is not responsible for the results of any action taken either by you or any third party in reliance on the information, or on the basis of calculations performed by PGG Wrightson, nor for errors or omissions however occurring. Buyers, advisers and all other persons viewing or dealing with the livestock and chattels must make their own assessment and judgement on the livestock and chattels.

PGG Wrightson is not liable in any way (including negligence, tort and equity) to you or any other person in connection with this valuation for any loss, costs, loss of income, profits, savings or goodwill or for any indirect or consequential loss or special or exemplary damages. To the full extent permitted by law, PGG Wrightson expressly excludes all representations and warranties, express or implied.

Coldstream Downs Limited
1741 Waimea Valley Road
SOUTHLAND

Desktop Market Valuation prepared for:

Roger Dickie Limited

As at 31 May 2018

LOGANSTONE
PROPERTY ■ SOLUTIONS ■ VALUATION

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APPENDICES

1.0 INTRODUCTION

1.0.1 Further to instructions from Dot McDermott 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 has been a Protrack Drafting system and snap Chiller added to the milking shed and a water tank. Otherwise there is no substantial changes to the property since this date and we 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 2018.

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 660 cows and producing circa 281,500 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	Poor

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 three unconditional dairy unit sales for 2018 to date. This is a reflection of the low confidence in the dairy sector at present. From the limited recent sales evidence there appears to be a continued decline in dairy farm sale prices over the 2017 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 2017/18 season and the recently announced further improvement for the 2018/19 season this has yet to flow through in improved sale prices.

3.0.9 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.

3.0.10 The impacts on the farm market of recently announced Southland Regional Council rules and Mycoplasma Bovis are yet to be seen.

3.0.11 Our income based valuation methodologies are based on an average of the five past seasons milk prices and the current forecast milk price which currently gives an average milk price of $5.64 per kg milk solids.

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	$8,435,000
Per kg Milk Solids. Average Efficient	$8,478,000
Income Capitalisation	$8,368,000
Multiplier of Milk Income	$8,500,000

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	• One dwelling short
• Good soil fertility	• Northern Southland location
• Good pastures	• Climate has summer dry risk
• Low input production system	• Environmental regulations
• Good centrally sited milking shed	• Volatile milk price pay-out
• More supplementary feeding for production	• 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 2018 is:

EIGHT MILLION FOUR HUNDRED AND THIRTY FIVE THOUSAND DOLLARS
($8,435,000)

Apportioned as follows:		
Value of Improvements		
– Residential Improvements	$461,000	
– Productive Buildings	$744,000	
– Other Improvements	$540,000	
		$1,745,000
Land Value		$6,430,000
Realty Value – Land & Buildings		$8,175,000
Household & Farm Chattels		$20,000
Milking & Effluent Plant & Equipment		$240,000
Market Value		$8,435,000

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	$18,373 /ha	$20.48 /kg ms
Market Value (*net of shares*)	$24,102 / ha	$26.86 / 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;
- 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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Reviewed by:

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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 2017)

- International Valuation Standards – Framework
- International Valuation Standards IVS 101 – Scope of Work
- International Valuation Standards IVS 102 – Investigation and Compliance
- International Valuation Standards IVS 103 – Reporting
- International Valuation Standards IVS 104 – Bases of Value
- International Valuation Standards IVS 105 – Valuation Approaches and Methods
- International Valuation Standards IVS 200 – Businesses and Business Interests
- International Valuation Standards IVS 210 – Intangible Assets
- International Valuation Standards IVS 300 – Plant and Equipment
- International Valuation Standards IVS 400 – Real Property Interests

API & PINZ Valuation Guidance Notes (ANZVGN)

- Property Institute of New Zealand ANZVGN1 – Valuation Procedures – Real Property
- Property Institute of New Zealand ANZVTIP9 – Market Value of Rural and Agribusiness 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
1741 Waimea Valley 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. We have placed more weighting on those sales highlighted red.

Location	Sale date	Sale Price	Area (ha)	Production 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	ROTFC (ave efficient) rolling ave payout	MV Net as multiplier of Milk Price - ave eff. 5 yr ave plus forecast
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		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		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		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		3.7%	6.70
1240 Motu Rimu Road, Motu Rimu	12/04/2017	$1,750,000	78.4	1060	$22,321	$21.06	$28.76	$16,735	$15.79	$21.56	Good location but small poorly presented dairy unit with inferior dwellings and farm buildings. Rolling to flat with ragwort problem.	C		4.0%	5.00
685 Benmore Otapiri Road, Benmore	5/04/2017	$3,250,000	124.0	992	$26,210	$26.42	$26.06	$18,248	$18.43	$18.43	Milking Platform area of a larger pastoral property. Rolling to stronger rolling. Two average dwellings, 44herringbone milking shed and good support buildings	B		5.6%	4.50
1255 Brydone Glencoe Road, Te Tipua	12/05/2017	$4,400,000	182.2	724	$24,149	$33.33	$30.56	$19,100	$26.36	$24.17	Lower quality dairy with rolling contour and below average production. Poorly presented. Two average dwellings and basic milking shed. Adequate farm buildings.	B		4.6%	5.30
78 Robertson Road	11/04/2017	$6,346,000	154.8	1200	$41,000	$34.18	$36.72	$32,051	$26.72	$28.71	Part of a larger dairy unit in good location. Average 1950s B&R dwelling. 54 rotary milking shed with ACRs & Protrack drafting. Ex woolshed / covered yards for calf rearing. Physiographic zone mostly Central Plains. Mostly Braxton & Pukemutu soils. Flat contour. New effluent 2015. Milking shed and effluent over capitalised. One dwelling short.	A		4.2%	6.3
1136 Motu Rimu Road	1/08/2017	$1,700,000	91.7	725	$18,536	$25.58	$26.50	$12,970	$17.90	$18.54	Poorly presented with considerable ragwort. Large average dwelling. Inferior milking shed. Vendor under financial pressure. Gleyed and Lignite Physiographic zones. Titipua and other deep soils.	C		4.7%	4.50
1107 Moto Rimu Road	7/08/2017	$2,750,000	123.3	903	$22,291	$24.68	$24.14	$16,805	$18.61	$18.20	Near flat. Lignite and Marine terraces physiographic zone. Kapuka and Tiwai soils. Ragwort. Poor presentation. Two basic dwellings. Newer 40 aside herringbone milking shed. Limited farm buildings. Vendor under financial pressure.	C		5.7%	4.10
630 East Chatton Road, Gore	7/03/2017	$6,500,000	166.6	1284	$39,010	$30.37	$37.40	$26,084	$20.31	$25.01	Private sale. Well presented dairy platform that had been run in conjunction with adjoining lease. Undulating with predominantly Waikoikoi soils. Gleyed Physiographic zone. Two good dwellings, 50 bail rotary milking shed. 2500m2 herd home. Good range farm buildings.	A		4.1%	6.50
27 Capil Road, Grove Bush	12/07/2017	$11,200,000	292.9	871	$38,230	$43.92	$35.67	$24,729	$28.41	$23.07	Well presented unit which has been run as self-contained with winter milking. Pukemutu / Braxton / Pebbly Hills /Otanamomo soils. Mostly Gleyed Physiographic zone. Three good dwellings, high spec 64 bail rotary with covered yard and adjoining free stall barn with stalls for 600 cows, 110 yearlings. Full range other buildings. New consent for 850 cows through to 2026.	A		4.8%	6.10
63 Howe Road, Willowbank	14/08/2017	$1,975,000	78.6	636	$25,127	$39.50	$33.81	$17,821	$28.01	$23.98	Inferior small scale dairy unit in Eastern Southland. Rolling contour. Mainly Oxidising physiographic zones and Chatton soils. Four bedroom dwelling, 16 aside herringbone.	C		3.8%	5.70
208 Cross Road, Spar Bush	7/09/2017	$2,850,000	64.5	1317	$44,151	$33.53	$37.77	$31,134	$23.64	$26.63	Predominantly Oxidising with some gleyed Physiographic zone. Waikiwi and Waianiwa soils. Near flat. Good shelter. Four bedroom dwelling, 24 aside herring bone milking shed. Full range other farm buildings.	A		4.0%	6.40
975 Motu Rimu Road, Motu Rimu	26/09/2017	$2,125,000	120.0	794	$17,708	$22.32	$23.98	$9,958	$12.55	$13.49	Part of a larger dairy unit which had best of land sold off separately. Now marginal size dairy unit being poorly presented with peat land only partly developed. Approx 50:50 Peat and lignite physiographic zones. Otanamomo and Kapuka soils. Undulating. New 215m2 dwelling plus cottage. 40 aside herringbone with fair farm buildings.	C		5.8%	4.10

Location	Sale date	Sale Price	Area (ha)	Production 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	ROTFC (ave efficient) rolling ave payout	MV Net as multiplier of Milk Price - ave eff. 5 yr ave plus forecast
89 McGregor Road, Wendon Valley	5/10/2017	$4,750,000	170.9	918	$27,783	$30.25	$29.43	$20,634	$22.47	$21.86	Mostly Waikoikoi soils with some Jacobstown and Wendon. Bedrock / Hill Country Physiographic zone. Rolling contour. Refurbished 1950s dwelling with 2nd dwelling added 2005. Herring bone milking shed. Good range other farm buildings.	B	Most comparable. Slightly inferior.	5.3%	5.00
599 Papatotara Road, Tuatapere	24/10/2017	$2,470,000	96.0	1198	$25,729	$21.48	$24.16	$18,883	$15.76	$17.73	Smaller Western Southland dairy unit on once a day milking. Flat to undulating. Average dwelling and 30 aside herringbone milking shed	B		5.5%	4.10
50 Woodstock Road, Dacre	19/10/2017	$6,000,000	148.2	1640	$40,486	$24.69	$35.08	$26,511	$16.17	$22.97	Part of a larger property. Very tidy and high producing unit. Near flat Waikiwi soils. Oxidising and Gleyed Physiographic zone. Two dwellings, 50 bail rotary milking shed and good support buildings. Two Paragon wintering sheds with adjacent concrete for 650 cows.	A		4.4%	5.90
2130 Riverton Wallacetown Road, Thornbury	19/10/2017	$4,977,432	124.4	1768	$40,012	$22.62	$35.56	$26,954	$15.24	$23.96	Well presented unit with two dwellings, 30 Aside herringbone milking shed, 350 free stall cow barn and good farm buildings. Edendale soils on top terrace and lower flats (floodable) Makarewa soils. Cow Barn appears to be discounted. Sold previously March 2016 for $4.67m. Current production considerably higher.	A		4.4%	6.00
351 Mataura Island Road, Mataura Island	15/11/2017	$2,670,000	86.4	1093	$30,897	$28.27	$29.73	$22,911	$20.96	$22.04	Small scale dairy unit. Fleming, Mataura and Riversdale soils. Near flat contour with some Mataura River frontage. Average 1950s style dwelling. 24 bail rotary milking shed. Fair range farm buildings.	B		4.7%	5.00
444 Otautau Nightcaps Road	13/12/2017	$6,858,200	190.4	1208	$36,020	$29.82	$31.16	$28,289	$23.42	$24.47	Sold in two parts. Near flat Aparima, Pukemutu and Makarewa soils. Approx 16 ha semi developed peat. Gleyed and Peat physiographic zone. One dwelling, 54 bail rotary milking shed. Fair range farm buildings.	A		4.9%	5.30
33 McStay Road, Rimu	7/12/2017	$4,250,000	144.2	756	$29,473	$38.97	$31.15	$24,540	$32.45	$25.96	Undulating. Long L shape. Mostly Mokotua and Woodlands soils. Gleyed physiographic zone. Approx 13 ha QEII covenant. Currently leasing adjoining 40 ha and run as self-contained unit. Average main dwelling. 24 aside herringbone. Good range other farm buildings	B		5.0%	5.30
1 Lawson Road, Mokotua	19/12/2017	$10,200,000	337.3	949	$30,240	$31.88	$30.23	$22,040	$23.23	$22.04	Waituna catchment. Waikiwi, Mokotua, Woodlands and Tisbury soils. Gleyed and Oxidising Physiographic zones. Undulating contour. Five dwellings, 60 bail rotary milking shed. Good supporting farm buildings.	B		5.1%	5.20
1007 North Makarewa Grove Bush Road, Grove Bush	22/12/2017	$6,120,000	170.0	1052	$36,000	$34.22	$33.35	$25,329	$24.08	$23.46	Flat to undulating contour. Gleyed and Oxidising Physiographic zone. Pebbly Hills, Tomoporakau and Tisbury soils. Three dwellings, 50 bail rotary, large calf shed and supporting sheds. Has been run in conjunction with another 63 hectares.	A-	Better	4.5%	5.70
247 Mataura Island Road	3/01/2018	$2,800,000	90.5	1183	$30,933	$26.14	$27.72	$23,277	$19.67	$20.86	Small scale platform boundering Mataura River. Mataura, Riversdale and Fleming soils. Riverine Physiographic zone. 1960s B&R dwelling, 18 aside herring bone milking shed. Good supporting farm buildings.	B		4.8%	4.70
231 Mokotua Road, Mokotua	21/12/2017	$3,450,000	97.1	823	$35,512	$43.13	$32.58	$27,762	$33.71	$25.47	Well presented smaller scale dairy unit. Waikiwi, woodlands and Mokotua soils. Oxidising and Gleyed physiographic zones. Three bedroom dwelling, 30 aside herringbone milking shed, implement shed and calf shed.	B+		4.5%	5.60
2237 Winton Hedgehope Road, Hedgehope	18/04/2018	$2,075,000	90.2	1020	$23,008	$22.55	$24.36	$16,865	$16.53	$17.85	Mostly Pukemutu soils. Undulating to hill at back. Older 3 bedroom dwelling, Upgraded 18 aside herringbone milking shed. Fair other farm buildings. New 200 cow feed pad. Currently wintering on.	B-		5.7%	4.10
136 Selbie Road, Lowther	1/05/2018	$5,472,000	305.2	524	$17,926	$34.20	$30.66	$11,332	$21.62	$19.38	Inferior shape dairy unit converted in 2015. Not all milked off with circa 20 ha non effective river bed and part cut and carry. Access issue with one block. Gore, Oreti, Lumsden and Riversdale soils. Mostly Oxidising Physiographic zone with some Riverine. Two dwellings. High specification 54 bail rotary milking shed with 3,000m2 feed pad attached. Large range farm buildings.	C	Inferior	4.5%	5.20
				Average	**$29,992**	**$30.66**	**$31.12**	**$21,938**	**$22.49**	**$22.76**				**4.7%**	**5.33**

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
Undulating to rolling Eastern / Northern Southland dairy	$17,000 - $23,000/ha	$19,000/ha
Steeper dry stock	$5,000 to $15,000/ha	$10,000/ha
Scrub and waste	$1,000 to $5,000/ha	$2,500/ha

10.1.4 We have adopted a value at the mid to upper 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 m^2 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: Fair to good quality owners / managers residence. Two good worker accommodation units. The number of dwellings and accommodation numbers are 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 good capacity and appropriate plant.

10.2.8 Productive farm buildings: Adequate range and condition

10.2.9 Fencing and subdivision: Good

10.2.10 Farm water supply: Good

10.2.11 Races and layout: Good.

10.2.12 Effluent: Good

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

Land	Description		Area	Unit Price	Provisional	Final			
Rolling Platform			329	19000	6251000				
Dry stock grazing			17	10000	170000				
Scrub, waste etc			3.9	2500	9750				
					0				per ha
Total Land			349.9		6430750	6430000		$6,430,000	$18,373
Improvements									
Fencing	**No Pdks**	**Av pdk size**	**Area**	**Rate**		**VTP**			
	50	7.0	349	350	122150				
Water Supply			349	300	104700				
Races & Lanes			5800	25	145000				
Effluent			1	150000	150000				
Bridges					0				
Underpass					0				
Shelter			1	20000	20000				
Other					0				
Total Paddock Improvements					541850	540000		$540,000	
Paddock Value								$6,970,000	$19,916
Building	**Age**	**Condition**	**Qty.**	**Rate**		**VTP**			
Dwelling	1970s	G	216	1000	216000	$216,000			
Surrounds			1	25000	25000	$25,000			
Dwelling	2001	G	87	1350	117450	$117,000			
Car Port	2001	G	18	150	2700	$3,000			
Surrounds			1	10000	10000	$10,000			
Dwelling	2001	G	57	1350	76950	$77,000			
Car port		G	18	150	2700	$3,000			
Surrounds			1	10000	10000	$10,000	$461,000		
Milking Shed	2001	G	60	11000	660000	$660,000			
Calf Shed	1980s	G	108	70	7560	$7,000			
Hay Barn	1980s	G	108	30	3240	$3,000			
Hay Barn	1980s	G	204	30	6120	$6,000			
Hay Barn	1980s	G	108	30	3240	$3,000			
Calf Shed	1980s	G	605	80	48400	$48,000			
Woolshed	1980s	F	150	75	11250	$11,000			
Fert Bin	Mixed	F	111	50	5550	$6,000	$744,000		
Total Buildings					1206160	$1,205,000		$1,205,000	
Total Improvements								**$1,745,000**	
Total Land & Improvements								**$8,175,000**	**$23,360**
Household Chattels								$10,000	
Farm Chattels								$10,000	
Milking and Effluent Plant & equipment								$240,000	
Supplement									
									per ha
Market Value net of Shares								**$8,435,000**	**$24,102**

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 $39	$27

10.3.4 We have adopted the level at the lower end of the range of the comparable sales due to the location, production and quality of the property.

10.3.5 We can now estimate the market value as;

Average Efficient Production	Market Value per kg Milk Solids	Estimated Market Value
314,000 kg ms	$27	$8,478,000

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 is provided below:

Capitalisation Rate Range	Adopted for Property
3.7% to 5.4%	5.2%

10.4.4 We have adopted a capitalisation rate at slightly below the average due to the good location of the property and potential to improve production via supplementary feeding if desired.

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

	Av Eff ms					Total
Gross Farm Income	314,000	Milk Price		$5.64	per kg ms	$1,770,960
	314,000	Dividend		$0.30	per kg ms	$94,200
	314,000	Stock		$0.35	per kg ms	$109,900
Other Income						$-
					GFI Total	$1,975,060
Farm Working Expenses	314,000			$4.00	per kg ms	$1,256,000
Other						$-
					Total Expenses	$1,256,000
Wages of Management				$100,000		$100,000
EBITDA						$619,060
Market analysed capitalisation rate range						3.7 % to 5.8%
Adopted capitalisation rate						5.2%
Total Farm Capital						$11,905,000
		Number		Price		
less	Shares		314,000	$5.17		$1,623,380
	Cows	800		$1,800		$1,440,000
	R1 Heifers	200		$800		$160,000
	Plant	314,000		$1.00		$314,000
Land and Improvements, Chattels and Milking Plant						$8,367,620
					say	**$8,368,000**

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	314,000
Average of 5 year historic plus Fonterra Forecast Milk Price at date of valuation	$5.64
Total Milk Income	$1,770,960
Market Analysed Range of Multiplier	4.1 to 6.7
Adopted Multiplier	4.8
Estimated Market Value of Land and Improvements, Chattels and Milking Plant Equipment	$8,500,608
Say	$8,500,000

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	$8,435,000
Per kg Milk Solids. Average Efficient	$8,478,000
Income Capitalisation	$8,368,000
Multiplier of Milk Income	$8,500,000

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 summating 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 $8,435,000.

11.0 MARKET COMMENTARY

New Zealand Dairy Industry

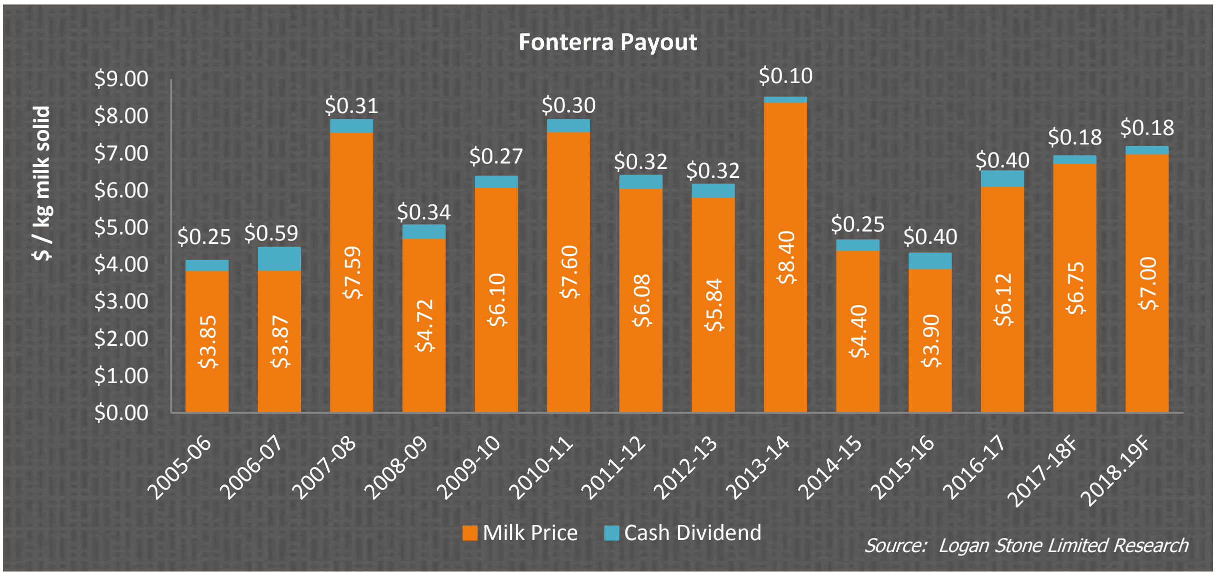
1.0.1 The New Zealand dairy industry produces circa 19 million tonnes of milk and exports some 95% of milk produced. This accounts for approximately 33% of cross border traded dairy products globally yet New Zealand's production only accounts for 2% of total global dairy production. As a consequence 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.

1.0.2 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 96% of the New Zealand milk supply and is currently sitting at approximately 82%.

1.0.3 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.

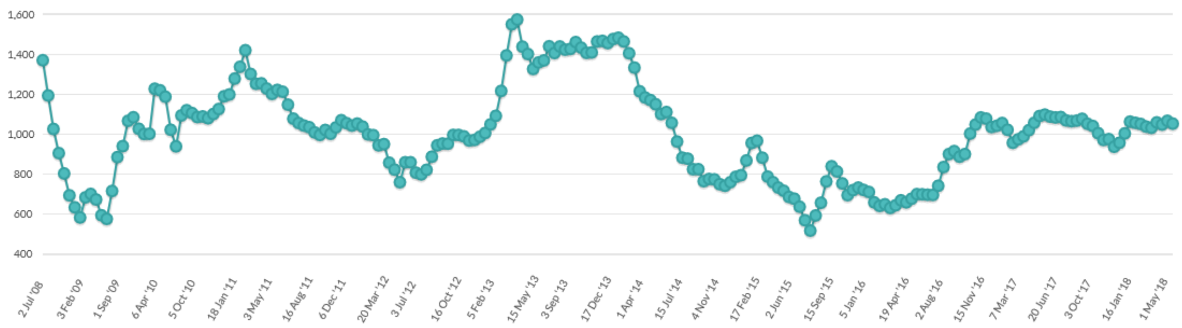
1.0.4 With Fonterra being the dominant processor/ marketer, together with their willingness to publically release actual and forecast farm gate payout information, disclose results of their global dairy trade auction and comment on the state of the dairy industry and factors' affecting their performance, their commentary is relevant to the dairy real estate market. Their pay out is consistent across New Zealand to supplier shareholders.

1.0.5 The below graph outlines Fonterra's historical and the current forecast for milk price and dividend;



1.0.6 At the time of writing, Fonterra's current forecast payout projection for the 2017/18 season for both the milk price and distributable profit as announced at the 23 May 2018 is $6.90 / kg milk solids. This announcement was a 20 cent per kilogram milk solids increase on previous season milk price forecast announcements due to improved dairy commodity sale prices. The forecast milk price for the 2018/19 season is $7.00/kg milk solids. Industry commentators suggest the outlook remains uncertain due to global economic conditions as supply and demand factors rebalance.

1.0.7 Recent 'global Dairy Trade' auctions have shown a slight decline after a period of improvement through late 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

1.0.8 The number of dairy farms in Southland has grown dramatically over the past fifteen years from 602 in 2002 to 989 in 2017 and now represents around 11.6% of the national herd and 12.6% of the national milk solids production. The effective hectares in dairy production have risen from 100,658 ha in 2002 to 209,133 ha in 2017 (Source: LIC 2016/17 statistics).

1.0.9 However the rate of conversions has plateaued in recent years attributable to economics and the Southland Regional Council wishing to limit further land use intensification to dairy.

Year	Effective Dairy Platform ha - Southland	Annual Change
2007/08	130,073	
2008/09	155.436	19%
2009/10	169,749	9%
2010/11	184,498	9%
2011/12	185,592	1%
2012/13	194,322	5%
2013/14	198,417	2%
2014/15	206,936	4%
2015/16	210,915	2%
2016/17	209,133	-1%

1.0.10 The majority of dairy units are seasonal supply. The average effective property size is 211 ha with most platforms milking around 2.69 cows per effective hectare. Average production is 1,117 kg milk solids per effective hectare with average cow production 415 kg milk solids / cow (Source: LIC 2016/17).

11.0.1 Features of dairying in Southland are;

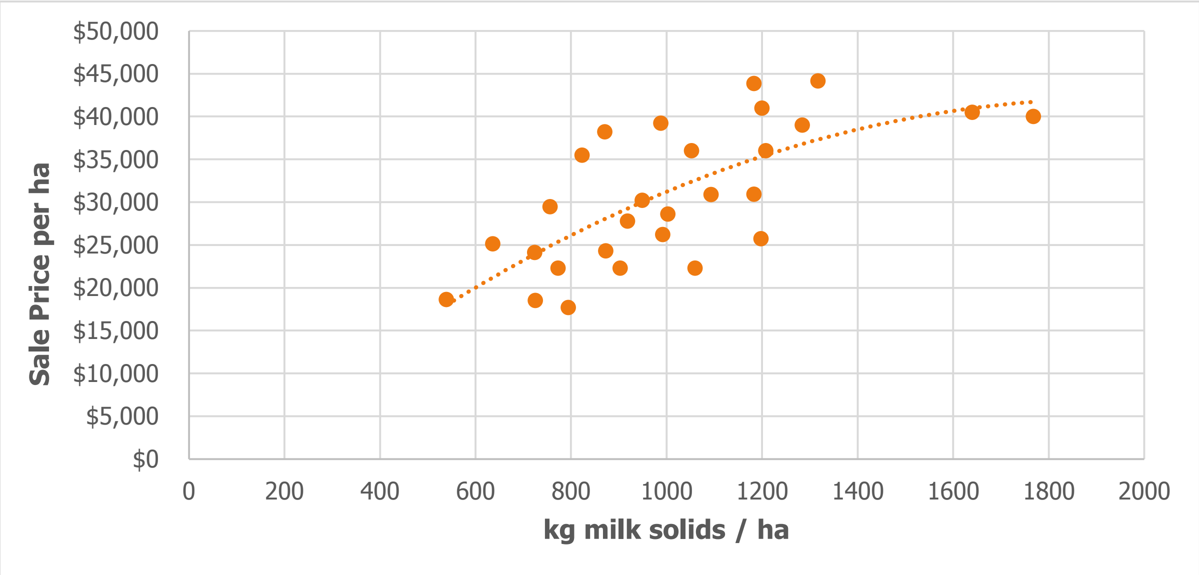
- Shorter growing season requiring supplement feeding at the beginning and end of season to extend lactation
- General heavy soils requiring sub surface drainage to improve utilisation. These heavy soils need careful management when waterlogged to avoid soil and pasture damage.
- Relatively high wintering 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.

1.0.11 Currently Southland dairy farmers can supply Fonterra or Open Country Dairy (if they can secure supply contracts). Mataura Valley Milk is plan to commence milk supply for the 2018/19 season.

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 Southland dairy units sold in 2017/18.



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.

11.2 Farm Gate Returns

11.2.1 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.

11.3 Availability of Credit

11.3.1 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.

11.4 Location

11.4.1 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.

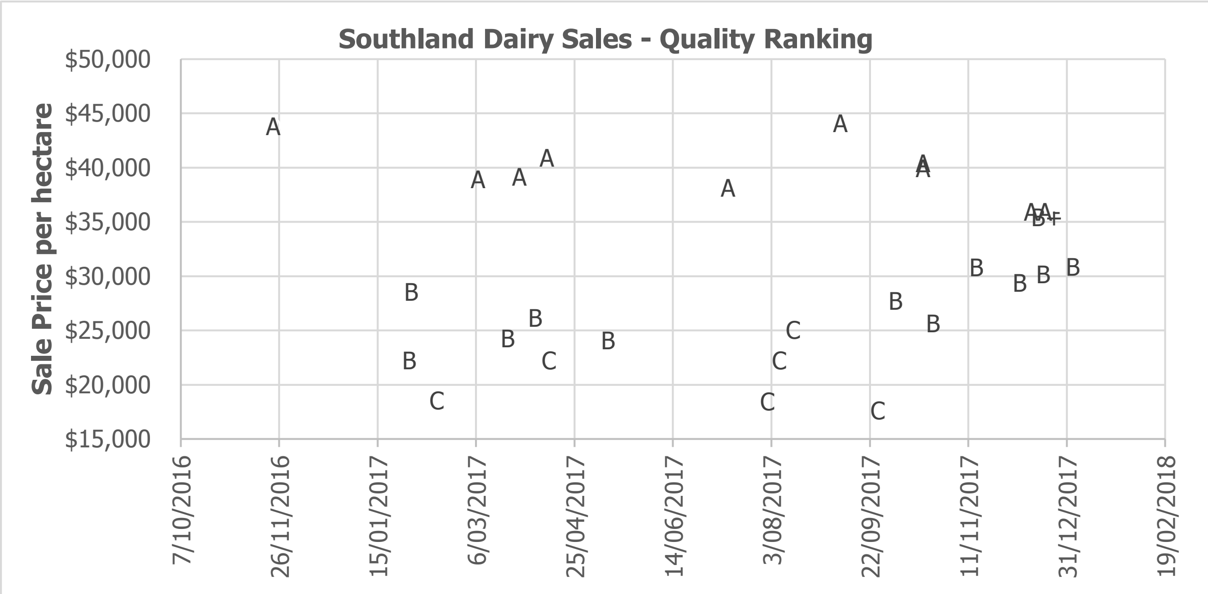
11.5 Recent Dairy Real Estate Market History in Southland

11.5.1 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 (average efficient production) metrics.

Year	No Sales	Ave SP/ha net of shares	Variation	Ave SP/kg ms net of shares	Variation
2007	46	$25,071		$25.42	
2008	33	$37,261	49.0%	$36.29	43.0%
2009	14	$30,639	(18.0%)	$28.92	(20.0%)
2010	17	$30,172	(2.0%)	$28.86	–
2011	37	$30,647	1.5%	$30.57	6.0%
2012	15	$29,623	(3.0%)	$30.34	(2.0%)
2013	37	$35,389	19.0%	$31.01	2.0%
2014	33	$38,914	10.0%	$34.45	11.0%
2015	19	$37,795	(2.9%)	$33.00	(4.2%)
2016	13	$34,257	(9.4%)	$35.56	4.7%
2017	26	$30,476	(11.0%)	$30.53	(14.1%)
2018	2	$33,223	9.0%	$30.15	(1.2%)

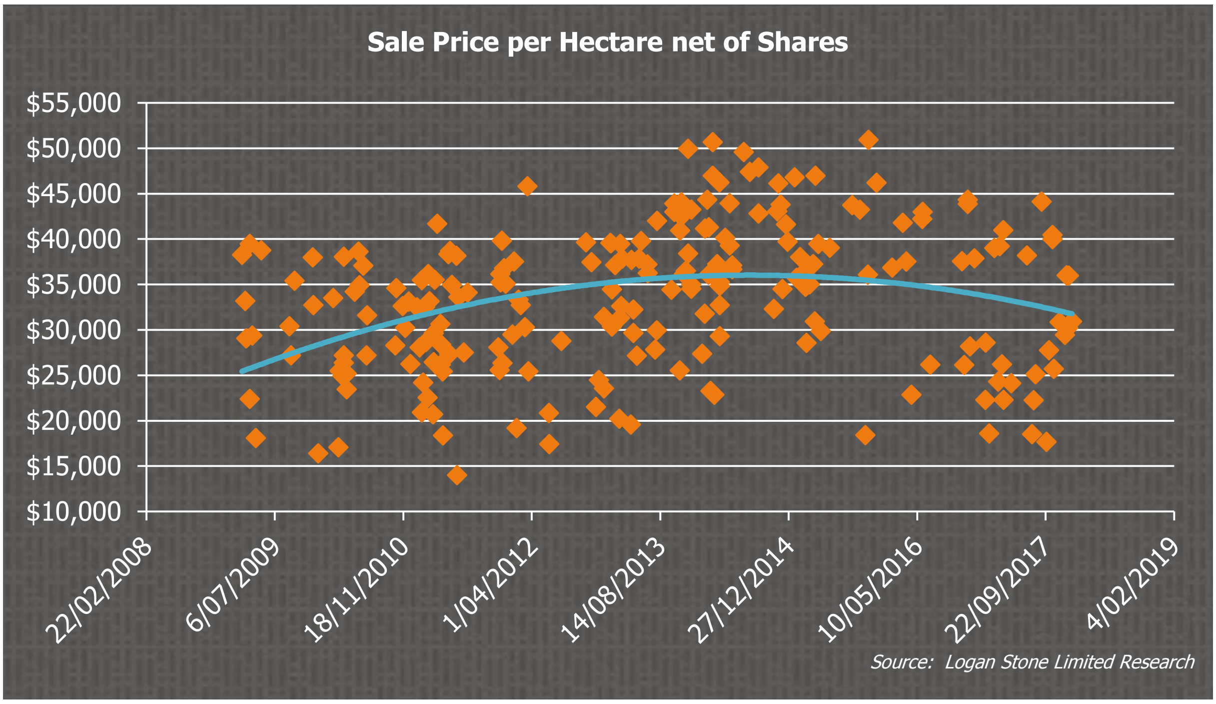
11.5.2 The average sale price per hectare has decreased during the 2017 year compared to 2016. There is only two sales for 2018 to date which is an insufficient number to give any significant meaning. It is our opinion that the majority of dairy farms transacted during 2017 have been dominated by inferior quality dairy units and this is reflective of the extent of the average decline indicated.

11.5.3 The below graph provides a better indication of the trends of differing quality dairy units;



11.5.4 The volume of dairy farm sales remains below historical averages, but with sale volumes increasing in 2017 to near average levels, which reflects dairy farm sales are in challenging times with greater illiquidity.

11.5.5 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 in recent months. This shows a distinct gap between better quality and lower quality dairy units.



Current Market Observations

11.5.6 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	High. Trend for properties to be listed with asking price.
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	Better but recent auctions suggest volatility remains. Profitability returning. Some restoration of balance sheets required to make up for previous years' debt funded losses.
Mortgage interest rates	At low levels. Steady. Risk of rate rises being factored in.
Availability of credit	Good for viable, strong cash flow propositions.
Higher land use opportunities	None obvious on large scale.
Lower supporting land use	Dairy support and pastoral. 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

11.5.7 Conclusion: The market value over the short to medium term is likely to reflect the supply / demand and profitability of dairy farms.

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)
Coldstream Downs Limited	Lot 18 Deposited Plan 502	SL7D/78	169.1586 ha
Coldstream Downs Limited	Lot 19 Deposited Plan 502	SL4A/1035	94.1223 ha
Coldstream Downs Limited	Lot 20 Deposited Plan 502	SL7D/79	86.6836 ha
		Total Land Area	**349.9645 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.

Title Identifier SL7D/78:

- Land Improvement Agreement pursuant to the Soil Conservation and Rivers Control Amendment Act 1959
- Subject to a right to convey water over part marked A, C on DP 355638 created by Easement Instrument 6512246.6
- Subject to a right to convey water over part marked A, B on DP 355638 created by Easement Instrument 6512246.8
- Subject to a right to convey water over part marked A, B on DP 355638 created by Easement Instrument 6512246.9
- Mortgage to Bank of New Zealand

Title Identifier SL4A/1035:

- Land Improvement Agreement pursuant to Section 30A Soil Conservation and Rivers Control Act 1941
- Mortgage to Bank of New Zealand

Title Identifier SL7D/79:

- Land Improvement Agreement pursuant to the Soil Conservation and Rivers Control Amendment Act 1959
- Mortgage to Bank of New Zealand

12.1.3 In our opinion the above registrations of interests have no material impact on the value of the property under current land use.

12.1.4 We note a 'paper road' dissects the property which forms part of the effective area. We base our assessment on the paper road remaining unopened.

12.2 Rating Valuation

The Rateable Values assessed as at 1 September 2015:				
Property	***Land Area (ha)***	***Value of Improvements***	***Land Value***	***Capital Value***
1741 Waimea Valley Rd	349.9645	$1,900,000	$6,600,000	$8,500,000

12.3 Rates

For the 2017/2018 Year (GST inclusive):			
Property Address	***Land Area (ha)***	***Southland District Council***	***Environment Southland Regional Council***
1741 Waimea Valley Rd	349.9645	$13,578.35	$3,980.79

12.4 Resource Consents

12.4.1 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	Coldstream Downs Limited	Coldstream Downs Limited
Consent No	201629	300572
Type	Water Permit	Discharge Permit
Source	To dam water and to take water from North Peak Stream at Waimea Valley Road at above normal flows, to put into a storage reservoir	Discharge of dairy shed effluent to land. Excludes effluent from winter milking, or any feedlot or wintering pad.
Rate	The abstraction shall not reduce the rate of flow in North Peak Stream to less than 25 litres per second	Maximum 1200 cows. 5,400m^3 effluent storage pond.
Expires	13 December 2037	6 October 2021

12.5 Production

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

Year	kg ms	Area (total)	Eff ha	per ha	per eff ha	Cows	cows/ eff ha	kg ms / cow
2013.14	325183	349	313	932	1039	800	2.56	406
2014.15	300458	349	313	861	960	800	2.56	376
2015.16	315456	349	313	904	1008	800	2.56	394
2016.17	314000	349	313	900	1003	800	2.56	393
2017.18	281500	349	313	807	899	660	2.11	427

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

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

Effective Platform Ha	313
Peak Cows	800
Cows / ha	2.56
Base pasture production - kg DM per ha	11,000
Utilisation	85%
kg DM : kg ms conversion	10.8
Base pasture production - kg MS	270,977
N Fert - kg N per eff ha	110
kg DM Response per kg N	10
Production from N - kg MS	27,098
Production from Pasture Grown -kg MS	298,075
Supplement Imports % Total Production	5.0%
Production Attributable to supplement imports -kg MS	14,904
Total Ave Efficient Production -kg MS	312,978
Say	**314,000**
kg MS per ha	1,003
kg MS per cow	393

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.

COLDSTREAM DOWNS DAIRY FARM LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018

COLDSTREAM DOWNS DAIRY FARM LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018

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 LTD CHARTERED ACCOUNTANTS SA

Coldstream Downs Dairy Farm Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY, 2018

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	421,799	758,427
Taxation charge for the year was	(193,306)	(200,209)
Dividends Paid & Provided were	(315,000)	-
Capital Repaid to Minority was	-	-
Retained Earnings at 1st June 2017 were	1,921,597	1,363,379
Retained Earnings at 31 May 2018	$ 1,835,090	$ 1,921,597

It is not proposed to make any transfer to reserves.

The state of the company's affairs at 31st May 2018 was:-

Assets totalled	$ 7,726,385	$ 8,164,054
and were financed by		
Shareholders equity of	6,235,090	6,321,597
and liabilities of	1,491,295	1,842,457
	$ 7,726,385	$ 8,164,054

The Board of Directors present their annual report, including the financial statements of the Company for the year ended 31 May 2018.

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 $12,441 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 $7,848 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.

No directors fees were paid to directors 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
27 September 2018

Director
27 September 2018

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY, 2018

	Notes	GROUP 2018 $	PARENT 2018 $	GROUP 2017 $	PARENT 2017 $
Operating Revenue					
Stock Proceeds		140,007	-	177,579	-
Less Stock Purchases		(96,100)	-	(39,186)	-
Change in Livestock Values		34,275	-	38,484	-
Gross Income from Livestock		78,182	-	176,877	-
Milk Proceeds		1,883,700	-	1,956,767	-
Dividends Received		95,541	-	95,896	-
Interest Received		-	-	-	-
Sundry Revenue		1,409		5,627	
Revaluation of Investments - Fonterra	16	-		47,662	
Revaluation of Investments - Other		1,617	-	1,251	-
		2,060,449	-	2,284,080	-
Operating Expenses					
Rates & Insurance		32,085	-	27,635	-
Interest & Finance Charges		49,244	-	47,621	-
Animal Health		98,747	-	80,240	-
Audit Fees		10,950	-	10,250	-
Directors Fees		482	-	922	-
Feed, Hay & Silage		132,068	-	137,778	-
Grazing Fees		267,864	-	368,969	-
Sharemilker Payments		366,320	-	374,477	-
Other Farm Working Expenses		136,105	-	138,658	-
Pasture Maintenance		145,836	-	208,604	-
Repairs & Maintenance		57,811	-	68,263	-
Depreciation	8	77,405	-	62,236	-
Revaluation of Investments - Fonterra	16	263,733	-	-	-
Revaluation of Investments - Other		-	-	-	-
		1,638,650	-	1,525,653	-
Operating Surplus (Deficit) before Tax		421,799	-	758,427	-
Income Tax Expense	4	193,306		200,209	
Operating Surplus (Deficit) after Taxation		228,493	-	558,218	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		228,493	-	558,218	-
Attributable to Owners of the parent company		228,493	-	558,218	-
Attributable to Minorities		-	-	-	-
		228,493	-	558,218	-

SILKS AUDIT CHARTERED ACCOUNTANTS LTD

Coldstream Downs Dairy Farm Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2018

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2018 - Group			
Total Comprehensive Income for Year	-	228,493	228,493
Capital Contributed (Repaid)	-	-	-
	-	228,493	228,493
Less Dividends Paid & Provided	-	315,000	315,000
Total Movement in Equity	-	(86,507)	(86,507)
Equity at Beginning of Year	4,400,000	1,921,597	6,321,597
Equity at End of Year	4,400,000	1,835,090	6,235,090
31 May 2018 - Attributable to Owners of Parent Company			
Total Comprehensive Income for Year	-	228,493	228,493
Less Dividends Paid & Provided	-	315,000	315,000
Total Movement in Equity	-	(86,507)	(86,507)
Equity at Beginning of Year	4,400,000	1,921,597	6,321,597
Equity at End of Year	4,400,000	1,835,090	6,235,090
31 May 2018 - 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 2018 - 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 CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2018

	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	-	-	-
	-	-	-
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

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2018

	Note	GROUP 2018 $	PARENT 2018 $	GROUP 2017 $	PARENT 2017 $
Current Assets					
Cash and Cash Equivalents	6	142,467	-	453,783	-
Accounts Receivable		517,413	-	495,570	-
Prepayments		22,940	-	-	-
Feed on Hand		35,200	-	57,676	-
Provision for Taxation		-	-	-	-
Cattle on Hand	7	1,460,050	-	1,425,775	-
Loan to Subsidiary			4,173,600		4,173,600
Total Current Assets		2,178,070	4,173,600	2,432,804	4,173,600
Non Current Assets					
Shares in Fonterra	16	1,642,767	-	1,906,500	-
Shares in Sundry Companies		21,337	-	19,693	-
Shares in Subsidiary		-	1	-	1
Property, Plant & Equipment	8	3,884,211	-	3,805,057	-
Total Non-Current Assets		5,548,315	1	5,731,250	1
Total Assets		7,726,385	4,173,601	8,164,054	4,173,601
Current Liabilities					
Provision for Taxation		109,279	-	72,303	-
Current Portion of Term Liabilities	9	253,947	-	182,699	-
GST Payable		35,244	-	45,824	-
Accounts Payable		171,732	-	141,557	-
Total Current Liabilities		570,202	-	442,383	-
Non-Current Liabilities					
Deferred Tax	4	280,508	-	272,425	-
Fonterra Support Advance	9	-		34,649	
Hire Purchase - Protrack	9	7,585		-	
Bank of New Zealand Term Loan	9	633,000	-	1,093,000	-
Total Non-Current Liabilities		921,093	-	1,400,074	-
Equity					
Attributable to Owners of parent company		6,235,090	4,173,601	6,321,597	4,173,601
Attributable to Minorities		-	-	-	-
		6,235,090	4,173,601	6,321,597	4,173,601
Total Liabilities & Equity		7,726,385	4,173,601	8,164,054	4,173,601

For and on behalf of the board

Director
27 September 2018

Director
27 September 2018

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MAY, 2018

	Notes	GROUP 2018 $	PARENT 2018 $	GROUP 2017 $	PARENT 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		1,985,957	-	1,953,827	-
Tax Refunded				-	
GST		(6,275)		12,021	
Dividends		95,541	-	95,896	-
Interest		-		-	
		2,075,223	-	2,061,744	-
Cash was applied to:					
Operating Expenses		(1,335,899)	-	(1,528,340)	-
Interest Paid		(45,553)	-	(47,621)	-
GST		-	-	-	-
Taxation Paid		(122,941)	-	(86)	-
		(1,504,393)	-	(1,576,047)	-
Net cash inflow (outflow) from operating activities	11	570,830	-	485,697	-
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		-	-	-	-
Loan to Subsidiary		-	-	-	-
Purchase of Fixed Assets		(72,452)	-	(37,419)	-
Purchase of Investments		(27)	-	-	-
		(72,479)	-	(37,419)	-
Net cash inflow (outflow) from investing activities		(72,479)	-	(37,366)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Share Capital Subscribed		-	-	-	-
Loan Advances		-	-	-	-
		-	-	-	-
Cash was applied to:					
Dividends Paid		(315,000)	-	-	-
Loan Repayment		(494,667)	-	-	-
		(809,667)	-	-	-
Net cash inflow (outflow) from financing activities		(809,667)	-	-	-
Net increase (decrease) in cash held		(311,316)	-	448,331	-
Balance at beginning of year		453,783	-	5,452	-
Balance at end of year 31 May 2018	6	142,467	-	453,783	-

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 27 September 2018.

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.

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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.

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

SILKS AUDIT LTD CHARTERED ACCOUNTANTS SA

(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.

(n) **Feed on Hand**

Feed on Hand is valued at the lower of cost and net realisable value. Feed harvested by the Farm is valued at fair value at the time of harvest and subsequently valued at the lower of cost and net realisable value at Balance Date.

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 2018	Parent 2018	Group 2017	Parent 2017
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 (2017: 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 2018	Parent 2018	Group 2017	Parent 2017
Balance as at 1 June 2017	1,921,597	(226,399)	1,363,379	(226,399)
Operating surplus (deficit) attributable to the shareholders of the parent company	228,493	-	558,218	-
Operating surplus (deficit) attributable to minorities	-	-	-	-
	2,150,090	(226,399)	1,921,597	(226,399)
Dividends Paid - Shareholders of Parent	315,000	-	-	-
Dividends Paid - Minorities	-	-	-	-
Purchase of Minority Shareholding	-		-	
Balance as at 31 May 2018	1,835,090	(226,399)	1,921,597	(226,399)

4. Taxation

	Group 2018	Parent 2018	Group 2017	Parent 2017
Net profit for the year	421,799	-	758,427	-
Prima facie income tax at 28%	118,104	-	216,212	-
Add (subtract) taxation effect of permanent differences	1,913		(1,939)	
Revaluation of Investments	73,392	-	(13,696)	-
Herd Scheme Value non-taxable adjustment	-	-	-	-
Recognition of tax losses not previously recognised	-	-	-	-
Dividend Received from Subsidiary	-	-	-	-
Imputation Credits Received	(103)	-	(368)	-
Income Tax Expense	193,306	-	200,209	-
The income tax expense is represented by:				
Current Tax	185,223	-	73,596	-
Deferred Tax	8,083	-	126,613	-
Income Tax Expense	193,306	-	200,209	-

There are no unrecognised income tax losses and timing differences carried forward (2017:Nil) for set-off against future assessable income subject to Inland Revenue Department Assessment.

5. Imputation Credit Account

	Group 2018	Parent 2018	Group 2017	Parent 2017
Balance as at 1 June 2017	493,041	-	492,955	-
Tax Refunded	-	-	(1,207)	-
Tax Paid	122,915	-	1,293	-
RWT & Imputation Credits on Dividends Received	168	-	-	-
Imputation Credits attached to Dividends Paid	(122,500)	-	-	-
Balance as at 31 May 2018	493,624	-	493,041	-

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6. Cash and Cash Equivalents

	Group 2018	Parent 2018	Group 2017	Parent 2017
Bank of New Zealand Cheque Accounts	142,467	-	453,783	-
Bank of New Zealand Call Accounts	-	-	-	-
Balance as at 31 May 2018	142,467	-	453,783	-

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 2018	Parent 2018	No.	Group 2017	Parent 2017
R1 Heifers	124	105,400	-	143	125,125	-
R2 Heifers and Mixed Age Cows	807	1,354,650	-	777	1,300,650	-
						-
	931	1,460,050	-	920	1,425,775	-

Stock is stated at market value as at 31 May 2018 based on a valuation by PPG Wrightson Limited, Gore, dated 31 May 2018. PPG Wrightson Limited are independent specialist dairy livestock agents.

Reconciliation of Numbers:	No.	$	No.	$
Opening Stock	920	1,425,775	984	1,387,291
Purchases	59	96,100	19	39,186
Sales	-571	-140,007	-694	-177,579
Increase/decrease in values of cattle		78,182		176,877
Natural Increase	541	0	624	0
Deaths & Missing	-18	0	-13	0
Closing Stock	931	1,460,050	920	1,425,775

8. Property, Plant & Equipment

	Land	Buildings	Development Expenditure	Plant & Equipment	Motor Vehicles	Total
1 June 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
Additions			-	156,559	-	156,559
Disposals	-	-	-		-	-
	2,888,612	537,984	139,376	329,625	66,019	3,961,616
Depreciation	-	14,620	8,279	45,774	8,732	77,405
Loss/(Gain) on Sale	-	-	-	-	-	-
Net Book Value	2,888,612	523,364	131,097	283,851	57,287	3,884,211
31 May 2018:						
Cost Price	2,888,612	716,317	214,721	614,510	136,726	4,570,886
Accumulated Depreciation	-	(192,953)	(83,624)	(330,659)	(79,439)	(686,675)
Net Book Value	2,888,612	523,364	131,097	283,851	57,287	3,884,211
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

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

9. Non Current Liabilities

	Group 2018	Parent 2018	Group 2017	Parent 2017
B N Z Term Loan - Current	180,000	-	135,000	-
B N Z Term Loan - Term	833,000	-	1,093,000	-
Fonterra Price Support Loan - Current	44,189		47,699	
Fonterra Price Support Loan - Term	-	-	34,649	-
Hire Purchase - Protrack - Current	29,758			
Hire Purchase - Protrack - Term	7,585			
	894,532	-	1,310,348	-

Repayable as follows:

	Group 2018	Parent 2018	Group 2017	Parent 2017
Less than 1 Year	253,947	-	182,699	-
Between 1 - 2 Years	640,585	-	214,649	-
Between 2 - 5 Years	-	-	913,000	-
Greater than 5 years	-	-	-	-
	894,532	-	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 Limited. Sharemilking Limited. Coldstream Downs Limited has provided a BNZ guarantee to Coldstream Downs Sharemilking Limited up to the value of $350,000.

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

c) The bank loans have a limit of $1,800,000 reducing quarterly instalment of $45,000 commencing 31 October 2017. The current interest rate is 3.87 pa. basis.

d) The Fonterra Price Support Loan has an interest rate of 2.49% at 1 June 2018. Repayments began once the milk price reached $6 per kilogram. The balance is due for repayment in October 2018.

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 $518,357 (2017: $472,742) 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 (2017: 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.

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

	Group 2018	Parent 2018	Group 2017	Parent 2017
Net Surplus/(Deficit) after tax for the year	228,493	-	558,218	-
Add (less) non cash items:-				
- Revaluation of Investments	262,116	-	(48,913)	-
- Depreciation	77,405		61,616	
- (Gain)/Loss on Sale of Fixed Assets	-	-	620	-
	568,014	-	571,541	-
Add (less) movement in other working capital items:				
Increase (decrease) in accounts payable	24,919	-	(33,353)	-
(Increase) decrease in livestock on hand	(34,275)	-	(38,484)	-
(Increase) decrease in accounts receivable	(21,843)	-	(195,154)	-
(Increase) decrease in Prepayments	(22,940)		-	
(Increase) decrease in feed on hand	22,476	-	(45,773)	-
Increase (decrease) in GST payable	(10,580)	-	26,657	-
Increase (decrease) in Taxation Payable	36,976	-	73,850	-
Increase (decrease) in Deferred Tax payable	8,083	-	126,613	-
Net cash inflow (outflow) from operating activities	570,830	-	485,897	-

12. Contingent Liabilities & Contingent Assets

At 31 May 2018 the Company has no significant contingent assets or contingent liabilities. (2017: $Nil)

13. Capital Commitments & Non-Cancellable Operating Leases

The company contracted to purchase a LIC Protrack System for 78,850 + GST on 22 May 2017. $15,770 + GST was paid in July 2017, to be followed by 24 monthly instalments of $2,628
At 31 May 2018 there were no other capital commitments and no non-cancellable operating leases. (2017: $Nil)

14. Events After Balance Date

The current sharemilker was replaced from the commencement of 2019 season.
The Fonterra milk price forecast for the 2019 season is $6.75 as at 13 September 2018.
Since balance date the Fonterra share price has fallen to $4.98. This is a decrease of $60,372 in the value of the Company's shareholding.
The farm is subject to a surveillance by the Ministry of Primary Industries in relation to Mycoplasma Bovis. This will involve the swabbing and blood testing of bull calves during the season.
There were no other significant events occuring after balance date.

15. Investment in Subsidiaries

	2018	2017	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% (2017: 100%) of Coldstream Downs Sharemilking Limited.

16. Investment in Fonterra Co-operative Group Limited

	2018 No.	2018 $	2017 No.	2017 $
Shares held at 1 June 2017	317,750	1,906,500	317,750	1,858,838
Shares Purchased	-		-	
Revaluation of Shares	-	(263,733)	-	47,662
Shares held at 31 May 2018	317,750	1,642,767	317,750	1,906,500

17. Related Party Transactions

a) The subsidiary paid administration fees of $12,441 (2017: $15,077) to Roger Dickie (NZ) Ltd. in which Roger Dickie, a director, has a controlling interest. The amount overpaid at balance date was $8,687 (2017: owing $16,720).

b) Accounting Services amounting to $7,848 (2017 $9,165) 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 (2017: $5,000)

c) The subsidiary paid no directors fees to Steve Barr during the year. (2017: $922)

d) Coldstream Downs Limited has an advance from the parent of $4,173,600 (2017: $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.

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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

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

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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 14, which comprise the consolidated statement of financial position as at 31 May 2018, 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 2018, 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.

CHARTERED ACCOUNTANTS

Principals: Cameron Town, Talia Anderson-Town.

Whanganui Taranaki Manawatu Central Plateau Auckland

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-5/

Other matter
The Limited Partnership 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.

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.

Silks Audit

Talia Anderson-Town
Silks Audit Chartered Accountants Ltd
Whanganui, New Zealand

Date: 27 September 2018