Eastbourne Dairy Farm Limited

Annual Report 2017/2018

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Directors Annual Report

The 2017/2018 season saw our variable order sharemilker Ben Worker achieve production of 225,126 kgMS. This was 2.9% behind the target of 230,000 kgMS and 1.3% behind the previous year's production. The production levels were impacted by a very wet spring followed by the dry months of January and February. The final payout announced by Open Country Dairy (OCD) was $6.71/kgMS, much higher than the payout levels we have experienced for the last three years.

You will all be aware of the *Mycoplasma bovis* disease that has been mentioned in the media throughout the season. M. bovis is a bacteria that can cause serious health issues in cattle which can ultimately lead to a loss of production and a lack of fertility in the animals. We are all hoping that MPI are winning in their battle to control the disease and that it can be eradicated from New Zealand – only time will tell. The disease is spread primarily by animal to animal contact or farm equipment that has been in contact with the infected animals. We have increased bio-security measures to minimise the risk of contacting the disease, and very closely monitor any stock moving back onto the farm.

Ben once again achieved excellent milk quality and received a Milk Quality Certificate with an average Somatic Cell Count of 81,134; well below OCD's target of 150,000 and this figure slightly less than his previous season.

Eastbourne was ranked 17th out of 190 Open Country Suppliers. This achievement meant that we were guaranteed all eight cents of the quality portion of the payout. This is an outstanding effort for milk quality. We would like to congratulate Ben on this achievement, it is a fantastic reflection of his diligence within the cow shed and the care that he and his team take with animal health.

A valuation of all land & buildings and stock were undertaken for the financial year. These were completed by Logan Stone Limited and PGG Wrightson Limited respectively. Summaries of the valuation documents are included in this report. For the 2017/2018 financial year Eastbourne has a total estimated value of $10,018,670. This was made up of land and buildings of $6,762,000 and $2,100,000 for the run-off. The stock was valued at $1,156,670. This is an increase in value of $214,478. from the previous financial year. The rise in value is a sign that the markets are beginning to stabilise and as the dairy industry begins to recover we are confident that the asset value will increase. The share value for Eastbourne from the current accounts gives a net asset backing value of $0.96 per share. For the 2017/2018 season the farm working expense (FWE) were $4.99 (Excluding Interest)

The directors are happy with production that the farm is achieving, however farm working expenses are higher than we would like to see. This is due to unexpected repairs and maintenance (R&M) costs along with some increased cropping and cultivation expenditure on the runoff. This season we are very focused on these expenditure items and are looking to drive further efficiencies in conjunction with Ben and the farm consultant.

The improved milk payout has meant the farm has achieved a cash trading surplus of $470,603 before tax, which is a strong result. The directors intend to pay a cash dividend of $220,000 to shareholders in December 2018. This equates to 2 cents per share plus imputation credits (Please note imputation credits only apply to New Zealand shareholders).

The total capital expenditure for the year was $54,779 for the new garage at the main house and a water system upgrade on a second house.

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 just at the beginning of what was a very dry period in the South Island. Dot met Ben Worker and looked over the farm and runoff. They had the opportunity to talk about projects on hand currently and future projects to be taken on over the 2018/2019 season.

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

The directors have once again given Ben the opportunity to rear a maximum of fifty calves as an incentive to keep Ben with Eastbourne into the future. As part of this arrangement Ben purchases the calves from Eastbourne and pays for any milk and feed used. Once the calves reach 100kg they are removed from the farm.

Current Season Update

The production forecast for the 2018/2019 season has been set at 230,000kgMS. Currently production at Eastbourne is tracking 10.56% ahead of last season outstanding early production. For the current season, Open Country Dairy has forecast a milk price for the 2018/2019 season of $6.25 to $6.55. We have a maintenance schedule for the next three years to ensure we continue to improve the quality of the farm. Improvements to the houses being a focus over the next year.

A shareholder visit to the farm is planned for March 2019.

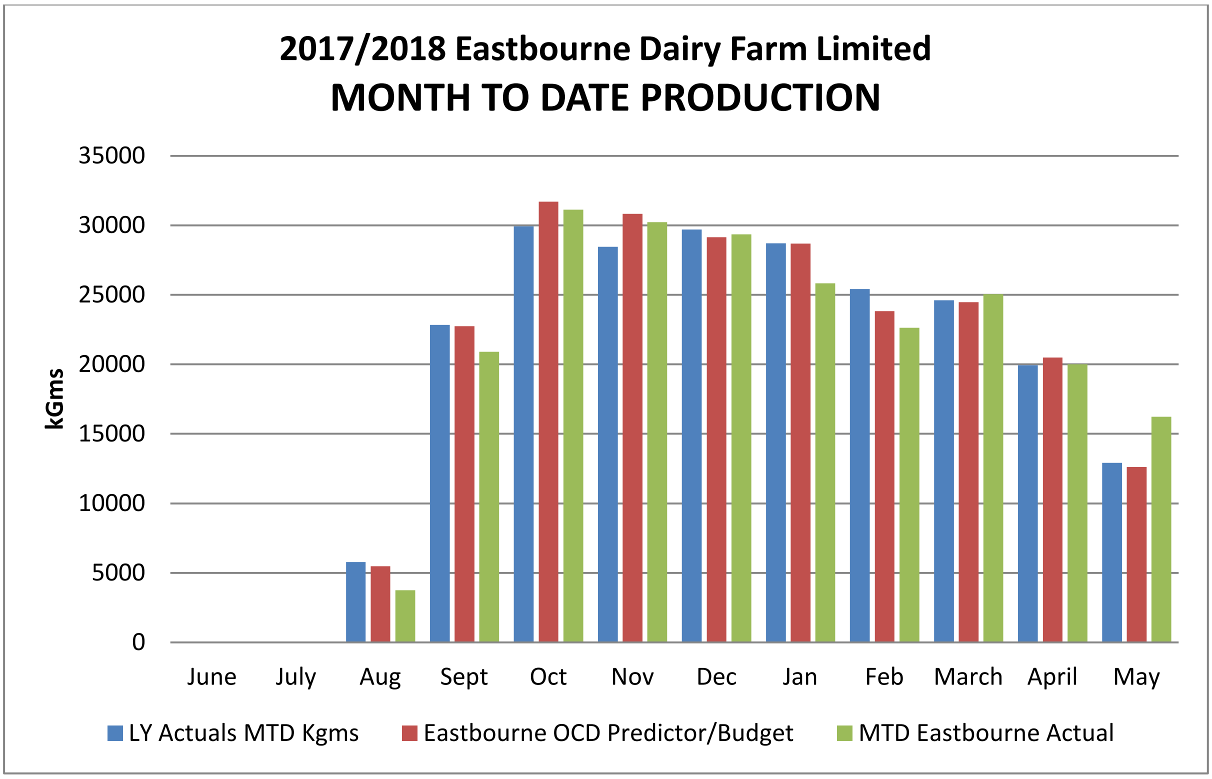
I look forward to seeing you at the AGM.

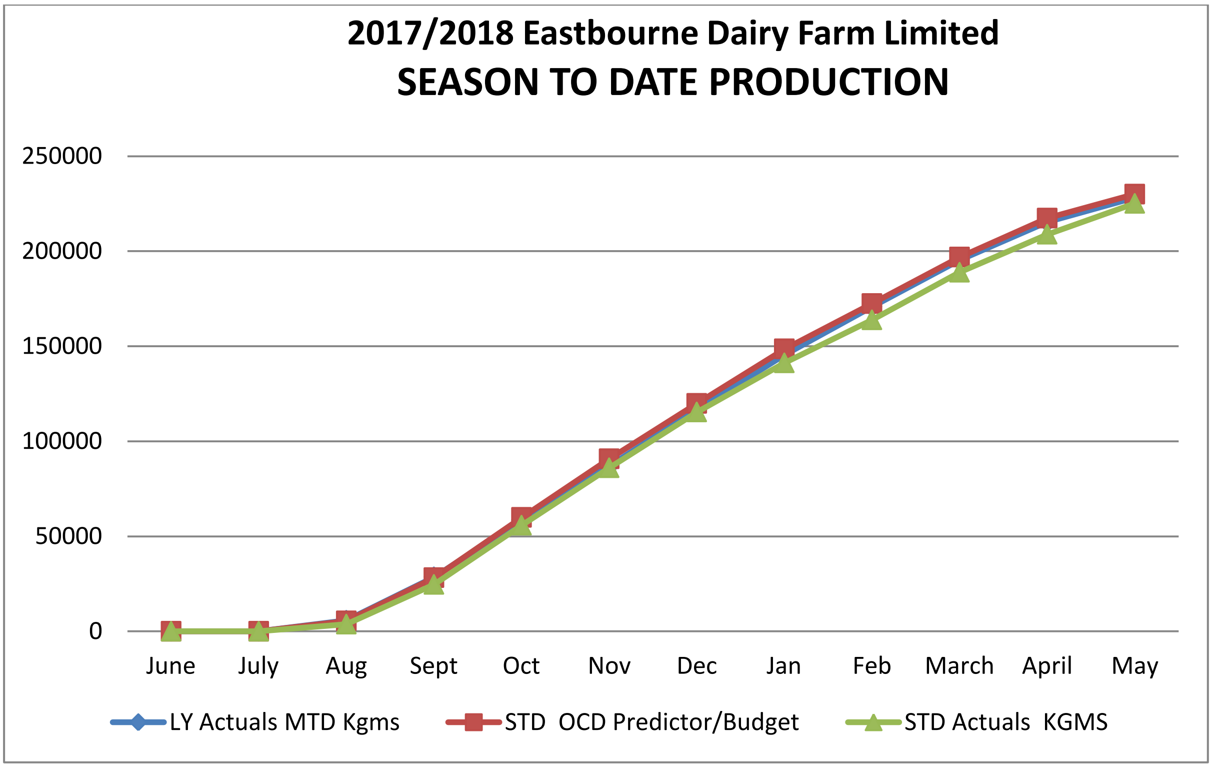
Kind Regards,

Roger Dickie

Director

Eastbourne Dairy Farm Limited


2017/2018 Eastbourne Dairy Farm Limited
MONTH TO DATE PRODUCTION
35000
30000
25000
20000
15000
10000
5000
0
kGms
June
July
Aug
Sept
Oct
Nov
Dec
Jan
Feb
March
April
May
LY Actuals MTD Kgms
Eastbourne OCD Predictor/Budget
MTD Eastbourne Actual


2017/2018 Eastbourne Dairy Farm Limited
SEASON TO DATE PRODUCTION
250000
200000
150000
100000
50000
0
June
July
Aug
Sept
Oct
Nov
Dec
Jan
Feb
March
April
May
LY Actuals MTD Kgms
STD OCD Predictor/Budget
STD Actuals KGMS

Variable Order Sharemilker Report

Ben Worker

2017/2018 milking season was overall a good one on Eastbourne Dairy Farm, with a reasonable winter and a fantastic spring we had a great calving. There was lots of feed ahead of the cows and cows were in good condition leading into mating.

Thankfully the weather played its part during mating this season and we were able to achieve a successful result of a 74% 6week in calf rate, 4% up on last season, and an overall 8% empty rate, an improvement of 4% on the previous season.

With the very dry summer down in Southland we were lucky we had plenty of feed on hand and were able to continue fully feeding cows and keep them milking well heading into autumn with the help of brought in feed to carry us over until the rain arrived in autumn.

After the dry Summer we had a great Autumn, with a lot of grass growth and the cows in good condition I was able to milk all 400 cows right up till the end of May and make up for some of the production we lost over summer.

We dried off the cows on the 29th and 30th of May and trucked the cows off to winter grazing at the McKee's.

On farm this year, we were able to do some capital drainage at the runoff which has already made a big difference to the paddocks we did.

We also had a car garage built on the main house which will be great as I had a lot of gear stolen from the farm workshop in January.

Photo: Roger Dickie, Jack Ballam and Ben inspecting finished garage

Our aim for the coming season is to carry on where we left off, with our number one goal of fully feeding the cows and getting the best feed utilization possible, while keeping cost as low as we can.

	2016/17	**2017/18**
Effective hectares	164	164
Peak cows milked	484	480
Milk production	228,251	225,125
kgMS/cow	471	469
kgMS/Ha	1391	1373
Somatic cell count	82,000	81,500
6 week in-calf rate	70%	74%

While the cows were away at winter grazing and some maintenance jobs were completed on farm, we all enjoyed a well-deserved winter break.

Ben

PGG Wrightson

Dairy Valuation with Inspection, Stock & Supplement Count

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Gore
P O Box 64, Gore
Telephone (03) 209 0300
Facsimile (03) 209 0188

31/5/2018
Roger Dickie New Zealand Ltd
A/C Eastbourne Dairy Farm Ltd

Re: Valuation of Livestock

In accordance with the agreement to value livestock dated 31st 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	Total
			Ex. Gst	Ex. Gst
142	Rg1	Fri. & Fri.X, heifers - BW116, PW127, RA92%,	$850.00	$120,700.00
102	Rg2	Fri. & Fri.X heifers - BW 120, PW132, RA100%,	$1,700.00	$173,400.00
342	2-8yr	Fri. & Fri.X Cows	$1,900.00	$649,800.00
17	9yr+	Fri. & Fri.X Cows	$1,100	$18,700
19	3 Titters	Fri. & Fri.X cows	$900	$17,100
18	2-8yr	Fri. & Fri.X cows - Late Calvers(Oct. Calving)	$1,450	$26,100
	Totals	Ex GST		$1,005,800.00
	GST	15%		$150,870.00
	Total	Incl. GST		$1,156,670.00

Supplements

Tally		Description
52		4X4 Round Bales Straw at Milking Platform
445		4X4 Round Bales Balage at Runoff
241		4X4 Round Bales Balage at Milking Platform
23		4X4 Round Bales Hay at Runoff
57		Conventional Bales of Hay at Milking Platform

Summary Stock Count – Eastbourne Dairy Farm Ltd

142 Rg1 Heifers

102 Rg2 Heifers

396 M/A Cows.

Herd Details – PTPT Code: QLTX,

Mixed aged cows – BW74, PW93, RA93%,

Rg2 Heifers PTIC – Jersey Bull 27/10/17 removed 12/1/18. Calving from 5/8/18.

Herd calving from 9th August 2017 – 6 weeks A.I - LIC Friesian & Xbred, Tailed Hereford, removed 15/1/18.

Late calvers: From 15th October

Herd Production 2017/2018, 469m/s average per/cow, Average SCC 90,000.

Tallies

Tallies verified by the Independent Stock Count

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.

Eastbourne Dairy Farm Limited
11 Eastbourne Park Road
SOUTHLAND

Desk Top Market Valuation prepared for:

Roger Dickie Limited

As at 31 May 2018

LOGANSTONE
PROPERTY ▪ SOLUTIONS ▪ VALUATION

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APPENDICES

Appendix A Statement of General Valuation Policies

1.0 INTRODUCTION

1.0.1 Further to instructions from Dot McDermott we have undertaken a 'Desk Top' market valuation appraisal on the above property in order to assess the market value for financial reporting purposes. As per instructions we have been advised not to re-inspect the property and have therefore relied on an inspection undertaken on 4 May 2015 and described in our previous full report dated 12 June 2015. We have been advised there has been capital expenditure of $35,000 being a garage and driveway improvements to the main dwelling. Otherwise 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 A 170.8633 hectare dairy milking platform situated in the Thornbury district of Southland which has been converted approximately 13 years. Milking 480 cows and producing 225,000 kilograms of milk solids for the 2017/18 season. From a dairying perspective location is regarded as good. Climate is suited for seasonal supply dairy land use. The land is of flat to undulating contour and deep soils with pastures in good heart. Overall layout is good being well subdivided into 51 paddocks, bore reticulated water supply and well raced. Housing includes three dwellings which are of adequate number of fair to good quality. The milking shed is of adequate capacity and in good condition. There are adequate supporting farm buildings including a calving shed and feed pad for 240 cows. Overall a good quality dairy platform being tidily presented and achieving above Southland average production based on a higher supplement import system. We estimate average efficient production to be 218,000 kilograms of milk solids (1389 kg ms / effective ha).

3.0 VALUATION CONCLUSIONS

3.0.1 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	Fair
Recent time frame	Fair
Direct Comparability	Fair

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 a an average of the five past seasons milk prices and the current forecast milk price which currently gives an average milk price of $5.64 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 an A 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	$6,550,000
Per kg Milk Solids. Average Efficient	$6,540,000
Income Capitalisation	$6,374,000
Multiplier of Milk Income	$6,762,000

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

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

Strengths & Opportunities	Weaknesses & Threats
• Well laid out. Good shelter • Good soil fertility • Good pastures • Low input production system • Good centrally sited milking shed • More supplementary feeding for production	• Environmental regulations • Volatile milk price pay-out • Soft Real estate Market

4.0 MARKET VALUATION

4.0.1 After examining all factors and subject to the overriding conditions we conclude the market value of the property as at 31 May 2018 is:

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

Apportioned as follows:		
Value of Improvements		
– Residential Improvements	$556,000	
– Productive Buildings	$354,000	
– Other Improvements	$590,000	
		$1,500,000
Land Value		$4,950,000
Realty Value – Land & Buildings		$6,450,000
Household & Farm Chattels		$30,000
Milking & Effluent Plant & Equipment		$70,000
Market Value		$6,550,000

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

4.0.2 Unit analysis

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

4.0.3 Fonterra Shares are not included.

4.1 Certification

Experience

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

Independence

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

Professional Indemnity Cover

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

5.0 OVERRIDING CONDITIONS

- Our valuation is subject to the attached Statement of General Valuation Policies.
- This valuation is current as at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of three months from the date of the valuation, or such earlier date if you become 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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7.0 VALUATION METHODOLOGY

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

International Valuation Standards (IVS)

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

API & PINZ Valuation Guidance Notes (ANZVGN)

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

PINZ Valuation Guidance Notes (NZVGN)

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

API & PINZ Real Property Guidance Notes (ANZRPGN)

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

IFRS (NZIAS Accounting Standards)

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

Highest and Best Use

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

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

Market value is defined as:

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

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

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

Plant and Equipment

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

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

7.1 Shares

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

8.0 EMISSION TRADING SCHEME

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

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

9.0 MARKET EVIDENCE

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

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

9.1 Comparable Sales

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

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

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

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
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
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		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	Similar	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	Similar	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	Inferior	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-	Inferior	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+	Similar	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		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
Central Southland Deep	$ 22,000– $32,000/ha	$29,000/ha

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

10.2 Improvements

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

Replacement Cost Approach

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

Sales Approach

10.2.3 The Added Value Approach is derived from analysis of sales with apportionment of the improvement value based on the various improvement components or individual building values. It is a variation of the sales approach. This approach determines the added value of the buildings and other improvements to the property as determined by the current market situation and completed sales. It considers the value of the building improvements and other improvements based on utility and functionality they add to the property and how the market is reflecting those features at that time.

10.2.4 The Net Rate approach is based on the analysis of sales. The analysis considers the component parts of the improvements i.e. rate per m2 of building, rate per metre of fencing, rate per tree/vine etc. These rates are then applied back to the subject property and the various improvements contained on that property to provide an additional approach to value of the improvements.

10.2.5 The combination of these approaches forms the basis of the improvement value assessment, with priority and more weighting placed on market based information.

Improvements Comment

10.2.6 Housing: Large fair quality manager's residence. Three staff dwellings of fair to good quality. The number of dwellings and accommodation numbers is inadequate. A further accommodation facility for staffing levels of this size property is warranted.

10.2.7 Milking shed: Well sited and in good condition with slight under capacity but manageable.

10.2.8 Productive farm buildings: Adequate range and condition

10.2.9 Fencing and subdivision: Good

10.2.10 Farm stock water supply: Good

10.2.11 Races and layout: Good

10.2.12 Effluent:

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

Land	Description		Area	Unit Price	Provisional	Final			
Flat to undulating deep Central Southland			170.8	29000	4953200				
					0				per ha
Total Land			**170.8**		**4953200**	**4950000**		**$4,950,000**	**$28,971**
Improvements									
Fencing	**No Pdks**	**Av pdk size**	**Area**	**Rate**		**VTP**			
	51	3.4	170	350	59500				
Water Supply			170	350	59500				
Races & Lanes			5450	25	136250				
Effluent			1	245000	245000				
Bridges					0				
Underpass					0				
Shelter			1	10000	10000				
Other			1	80000	80000				
Total Improvements	Paddock				590250	590000		$590,000	
Paddock Value								$5,540,000	$32,424
Building	**Age**	**Condition**	**Qty**	**Rate**		**VTP**			
Dwelling	1970s	G	146	1200	175200	$175,000			
Carport	1970s	G	30	400	12000	$12,000			
Garage	2018	G			25000	$25,000			
Surrounds			1	24000	24000	$24,000			
Dwelling	1930s + additions	F/G	156	1000	156000	$156,000			
Sleep out	1930s	F/G	23	750	17250	$17,000			
Decking			45	100	4500	$4,000			
Surrounds			1	15000	15000	$15,000			
Dwelling	1960s	F/G	103	1100	113300	$113,000			
Verandah			31	150	4650	$5,000			
Surrounds			1	10000	10000	$10,000	$556,000		
Milking shed	2003	G	40	6000	240000	$240,000			
Workshop	1970s	G	90	150	13500	$13,000			
Implement	1970s	F/G	76	50	3800	$4,000			
Hay Barn	1980s	F/G	70	50	3500	$4,000			
Calving Shed	1990s	G	387	100	38700	$39,000			
Calf	1980s	G	133	50	6650	$7,000			
Woolshed	1980s	G	165	100	16500	$16,000			
Covered Yards	1980s	G	486	50	24300	$24,000			
Calf	1980S	G	90	50	4500	$4,000			
Old woolshed	1950s	F/G	135	20	2700	$3,000	$354,000		
Total Buildings					911050	$910,000		$910,000	
Total Improvements								**$1,500,000**	
Total Land & Improvements								**$6,450,000**	**$37,749**
Household Chattels								$20,000	
Farm Chattels								$10,000	
Milking and Effluent Plant & equipment								$70,000	
Supplement									
									per ha
Market Value net of Shares								**$6,550,000**	**$38,335**

10.3 Summation Valuation per kilogram Milk Solids

10.3.1 The common benchmark of analysis for dairy unit sales is the sale price per kilogram of milk solids (kg ms) produced. Caution needs to be taken with this approach as levels of production can vary significantly between properties as some are partly or totally self-contained and / or significant supplements can be brought onto the property which are used for lactation and can distort the property's underlying pasture based productive ability. In our opinion it is more appropriate to analyse sales and assess the property on an 'average efficient level of management' as this provides a better reflection of market sentiments and reduces the variability of benchmark range.

10.3.2 Most dairy platforms managers import supplementary feed to some degree as a tool to lengthen the milking season, improve herd condition scores, help with returning cows to get in calf and attain peak milk production. Other managers supplementary feed all season which is mostly determined by economics and the relationship between the milk price and cost of feed. In high payout years it is common for more supplementary feeding to be done. When determining average efficient production we do include some supplementary feeding. This is dependent on how we consider the market would likely manage the property based on many factors including feeding systems and facilities available, along with other physical characteristics of the property.

10.3.3 From the sales analysis summary the market reflects the below range and average:

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

10.3.4 We have adopted the level at slightly below the average of the comparable sales due to the location, production levels and quality of soils.

10.3.5 We can now estimate the market value as;

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

10.4 Income Valuation Approach – Income Capitalisation Approach

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

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

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

Capitalisation Rate Range	Adopted for Property
3.7% to 5.8%	4.6%

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

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

	Av Eff ms					Total
Gross Farm Income	218,000	Milk Price		$5.64	per kg ms	$1,229,520
	218,000	Dividend		$0.30	per kg ms	$65,400
	218,000	Stock		$0.35	per kg ms	$76,300
Other Income						$-
					GFI Total	$1,371,220
Farm Working Expenses	218,000			$4.00	per kg ms	$872,000
Other						$-
					Total Expenses	$872,000
Wages of Management				$100,000		$100,000
EBITDA						$399,220
Market analysed capitalisation rate range						3.7% to 5.8%
Adopted capitalisation rate						4.6%
Total Farm Capital						$8,678,696
		Number		**Price**		
less	Shares		218,000	$5.17		$1,127,060
	Cows	480		$1,800		$864,000
	R1 Heifers	120		$800		$96,000
	Plant	218,000		$1.00		$218,000
Land and Improvements, Chattels and Milking Plant						$6,373,636
					say	**$6,374,000**

10.5 Income Approach – Multiplier of Milk Price

10.5.1 This approach is a high level approach which enables the market value of land and improvements to be assessed as a multiplier of the milk income for the property. To establish the milk price we adopt of an average of the previous five year actuals and the Fonterra forecast at the time of valuation or sale.

We prefer to use a milk price multiplier as this enables some comparison with other milk supply companies other than Fonterra. Milk price is also a better reflection of the trend in global dairy commodity prices.

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

Average Efficient production - kg milk solids	218,000
Average of 5 year historic plus Fonterra Forecast Milk Price at date of valuation	$5.64
Total Milk Income	$1,229,520
Market Analysed Range of Multiplier	4.1 to 6.7
Adopted Multiplier	5.5
Estimated Market Value of Land and Improvements, Chattels and Milking Plant Equipment	$6,762,360
Say	**$6,762,000**

10.6 Valuation Approach Summary

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

Valuation Approach	Market Value Estimate
Per Hectare	$6,550,000
Per kg Milk Solids. Average Efficient	$6,540,000
Income Capitalisation	$6,374,000
Multiplier of Milk Income	$6,762,000

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 $6,550,000.

11.0 MARKET COMMENTARY

New Zealand Dairy Industry

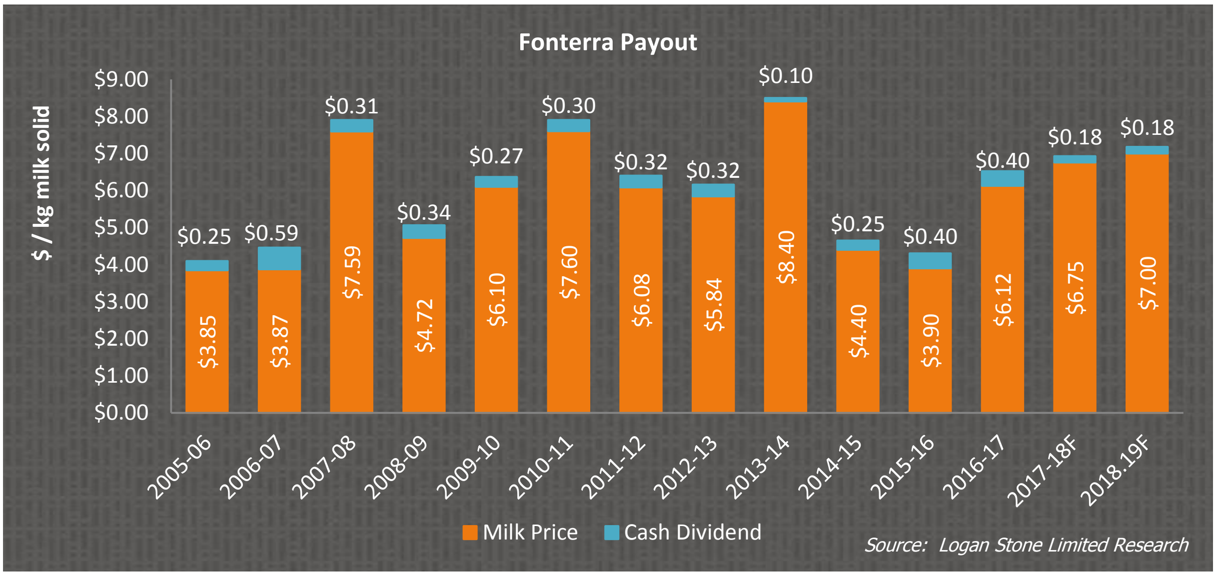
11.0.1 The New Zealand dairy industry produces circa 19 million tonnes of milk and exports some 95% of milk produced. This accounts for approximately 33% of cross border traded dairy products globally yet New Zealand's production only accounts for 2% of total global dairy production. As a consequence shifts in the supply / demand equation of global dairy commodities can cause considerable farm gate milk price volatility both up and down. While dairy unit sale prices do not necessarily immediately reflect changes to current farm gate milk prices, any investor in a dairy unit should be aware of the volatility of farm income that can occur in the industry.

11.0.2 The New Zealand dairy industry is dominated by Fonterra which is a supplier owned co-operative. Fonterra was formed in 2001 with the objective of maximising returns to its supplier owners through economies of scale and the ability to be a dominant participant in the global dairy trade. At the time of formation Fonterra processed around 96% of the New Zealand milk supply and is currently sitting at approximately 82%.

11.0.3 Since the formation of Fonterra there have been several start up processing companies enter the market in addition to the existing companies such as Open Country Dairy, Westland Dairy Co-op and Tatua. Most of these companies operate in geographically isolated areas.

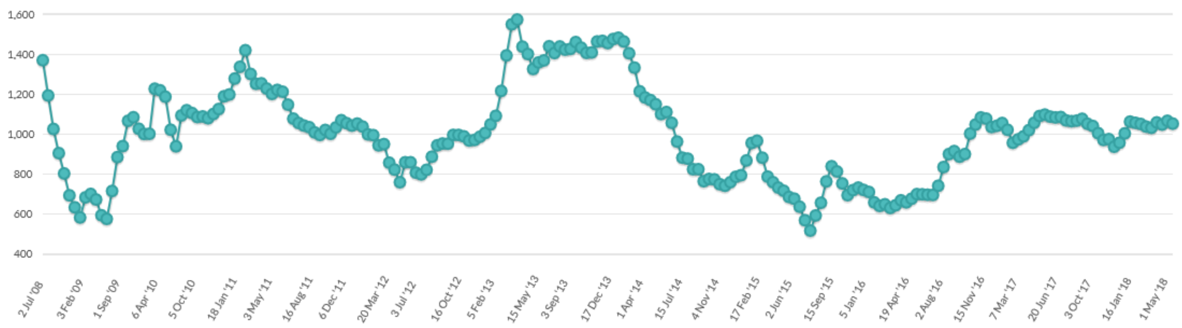
11.0.4 With Fonterra being the dominant processor/ marketer, together with their willingness to publically release actual and forecast farm gate payout information, disclose results of their global dairy trade auction and comment on the state of the dairy industry and factors' affecting their performance,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

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



11.0.1 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.

11.0.2 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

11.0.3 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).

11.0.4 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%

11.0.5 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).

11.0.6 Features of dairying in Southland are;

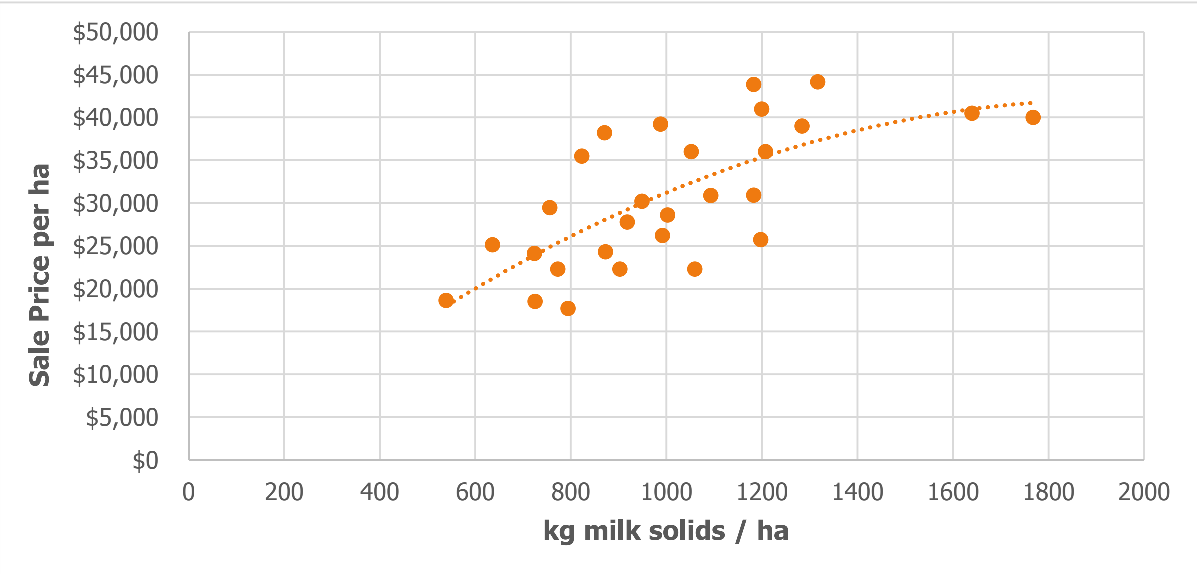
- Shorter growing season requiring supplement feeding at the beginning and end of season to extend lactation
- General heavy soils requiring sub surface drainage to improve utilisation. These heavy soils need careful management when waterlogged to avoid soil and pasture damage.
- Relatively high wintering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

11.0.7 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

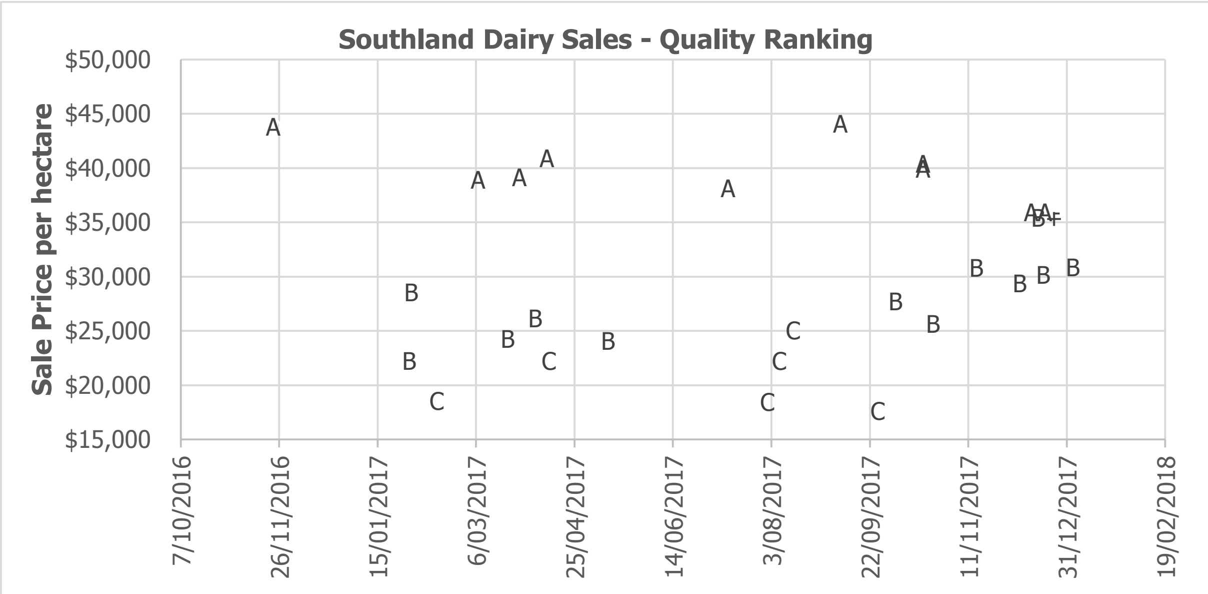
11.5.1 The below table is our mean analysis of dairy units sales in Southland over recent years which shows the annual variation of the mean sale price net of shares on both a per hectare and per kilogram of milk solids (average efficient production) metrics.

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%

Year	No Sales	Ave SP/ha net of shares	Variation	Ave SP/kg ms net of shares	Variation
2017	26	$30,476	(11.0%)	$30.53	(14.1%)
2018	2	$33,223	9.0%	$30.15	(1.2%)

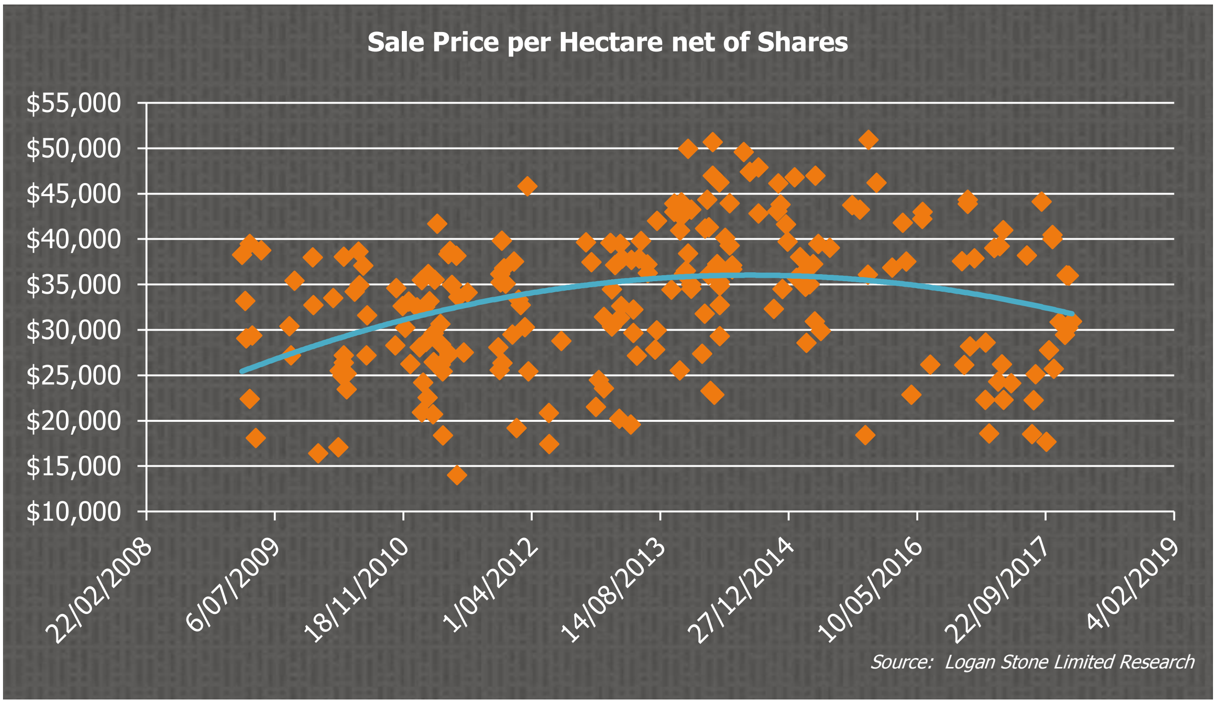
11.5.2 The average sale price per hectare has decreased during the 2017 year compared to 2016. There is only two sales for 2018 to date which is an insufficient number to give any significant meaning. It is our opinion that the majority of dairy farms transacted during 2017 have been dominated by inferior 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 **Error! Reference source not found.** contained within the Southland Land Registration District. To summarise:

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

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

- There are no registrations that materially impact on value

12.2 Rating Valuation

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

12.3 Resource Consents

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

Owner	Eastbourne Dairy Farm Limited	Eastbourne Dairy Farm Limited
Consent No	301034	301035
Type	Discharge Permit to discharge dairy shed and wintering barn effluent to land. This consent excludes effluent from winter milking.	Water Permit to take ground water for a dairy operation
Source	Dairy Shed and Wintering barn	Bore/well E46/0234
Rate	Max 599 cows dairy shed; Max 240 cows wintering barn; 3172m³ storage	Shall not exceed 71,880L/day
Expires	15 March 2022	15 March 2022

12.4 Production

12.4.1 The property was converted to dairy in 2001 and production for the past 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	230000	170.8	157	1347	1465	520	3.31	442
2014.15	208446	170.8	157	1220	1328	490	3.12	425
2015.16	238446	170.8	157	1396	1519	490	3.12	487
2016.17	228000	170.8	157	1335	1452	490	3.12	465
2017.18	225000	170.8	157	1317	1433	480	3.06	469

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

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

Effective Platform Ha	157
Peak Cows	510
Cows / ha	3.25
Base pasture production - kg DM per ha	14,500
Utilisation	85%
kg DM : kg ms conversion	10.8
Base pasture production - kg MS	179,169
N Fert - kg N per eff ha	150
kg DM Response per kg N	10
Production from N - kg MS	18,535
Production from Pasture Grown -kg MS	197,704
Supplement Imports % Total Production	10.0%
Production Attributable to supplement imports -kg MS	19,770
Total Ave Efficient Production -kg MS	217,474
Say	**218,000**
kg MS per ha	1,389
kg MS per cow	427

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.

Eastbourne Dairy Farm Limited – Support Block
488 Thornbury Waimatuku Road
Thornbury
Southland

Desk Top Market Valuation prepared for:

Roger Dickie Limited

As at 31 May 2018

LOGANSTONE
PROPERTY ▪ SOLUTIONS ▪ VALUATION

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APPENDICES

Appendix A Statement of General Valuation Policies

1.0 INTRODUCTION

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

1.0.2 Due to not re-inspecting the property and not providing a full report this report does not comply with international valuation standards.

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

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

- Market Value as at 31 May 2018.

2.0 PROPERTY CONCLUSIONS

2.0.1 A 71.2442 hectare pastoral unit currently utilised for dairy support. Situated in the Thornbury district of Central Southland which from a pastoral perspective location is regarded as good. Climate is suited for current land use. The land is of flat to undulating contour with deep heavy soils. Cover comprises predominantly pasture or winter feed crops found in good heart. Overall layout is good being subdivided into 22 paddocks with internal stock lane. Reticulated water supply. Two hay barns. Stock facilities include cattle yards. Overall a good quality dairy support block in a long established dairy locality. Estimated carrying capacity under average efficient management is 1250 stock units (17.5 su / ha). Highest and best use under current market sentiments is as a dairy support block.

3.0 VALUATION CONCLUSIONS

3.0.1 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, and productive capacities compared to the subject property.

3.0.2 The subject property is located in a long recognized dairy district. As such there are a number of close proximity dairy platforms which would be interested in the block as a cut and carry and grazing unit. Given the heavy soils and flat contour the block would create good interest if offered to the market.

3.0.3 The subject property was purchased in an agreement dated October 2013 for $2,100,000 plus GST.

3.0.4 Smaller size additional land purchases have shown the most activity in recent times with generally strong sale prices recorded. Leading the market is good quality Waikiwi soils in the Woodland / Dacre area for vegetable growing at $35,000 to $40,000 per hectare land value.

3.0.5 Dairy support properties have been selling in the vicinity of $21,000 to $33,000 per hectare land value $1,500 - $2,000 per stock unit equivalent.

3.0.6 Location, climate and productive ability have the main impact on value. Properties that are small scale tend to sell at higher per stock unit and per hectare values as competition for these properties is more intense due to the smaller capital requirement required.

3.0.7 The appropriate valuation approaches for estimating the market value of a pastoral unit are the market approach and income approach.

3.0.8 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.

3.0.9 We have not adopted an income approach.

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

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

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

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

Valuation Approach	Market Value Estimate
Per Hectare	$2,100,000
Per Stock Unit. Average Efficient	$2,125,000

3.0.13 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.

3.0.14 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
• Location and proximity to dairy platforms • Flat to undulating deep soils • Popular size	• Wetness of soils during winter • Uncertainty of boundary by 2nd hay barn

4.0 MARKET VALUATION

4.0.1 After examining all factors and subject to the overriding conditions we conclude the market value of the property as at 31 May 2017 is:

TWO MILLION ONE HUNDRED THOUSAND DOLLARS
($2,100,000)

Apportioned as follows:		
Value of Improvements		
– Residential Improvements	$0	
– Productive Buildings	$7,000	
– Other Improvements	$98,000	
		$105,000
Land Value		$1,995,000
Market Value		$2,100,000

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

4.0.2 Unit analysis

Area	71.2442 ha	(71ha effective pasture)
Ave Efficient Production	1250 stock units	(17.5 kg ms / effective ha)
Land Value	$28,002/ha	$1,596 /su
Market Value (*net of shares*)	$29,476 ha	$1,680 /su

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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7.0 VALUATION METHODOLOGY

7.0.1 The valuation has been completed in accordance with (excluding the property has not been re-inspected and a full report is not provided);

International Valuation Standards (IVS)

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

API & PINZ Valuation Guidance Notes (ANZVGN)

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

PINZ Valuation Guidance Notes (NZVGN)

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

API & PINZ Real Property Guidance Notes (ANZRPGN)

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

IFRS (NZIAS Accounting Standards)

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

Highest and Best Use

7.0.2 Highest and Best Use for the land is that use that is practically feasible, legally permissible and supported by market demand. It is that particular property use that indicates the highest likely competitive price for the real estate at a particular time. Determination of the property's current highest and best use is a necessary precursor of market value assessment.

7.0.3 We determine the highest and best use of the subject property to be as a dairy support pastoral unit.

Market value is defined as:

7.0.4 "*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.*"

7.0.5 In considering the willing buyer/willing seller definition we have determined that the marketing period in the present market conditions would be three to four 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.

7.1 Plant and Equipment

7.1.1 The valuation of the property excludes all items of plant and equipment unless specifically stated otherwise within this report.

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 COMMENTARY

9.0.1 The majority of activity in the pastoral Southland real estate market has been for small scale 40 to 120 hectares blocks which have been purchased by nearby land holdings to improve business scale and self-containment. Sale prices have generally held at previous year's levels but if a property does not have buyers in close proximity then the market can be soft and lower sale prices can result.

9.1 Market Evidence

9.1.1 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.

9.1.2 Our observation is the current pastoral property market for Southland is driven by dairy land use with per hectare and per stock unit values diminishing depending on the highest and best use as outlined in the below table.

9.1.3 It is our opinion the subject property highest and best land use currently lies in the dairy support land use with a bias towards the dairy support cut and carry range due to location, soils and contour. We therefore look to recent sales with similar land use, size, contour and location.

9.1.4 From the available market evidence, the following transactions are considered to be the most relevant to the subject property. The following information is information that is publicly available. Further information is likely to be held by Logan Stone on the analysed property. This information is often collected from inspections and valuations have been provided to us on a confidential basis and is not deemed to be public and therefore cannot be reproduced within this document. The Sale Price includes land and improvements and household and farm chattels if any, the Sale Price per hectare is the Sale Price divided by the title area, while the Land Value per hectare is the productive land value exclusive of the lifestyle component, if any, over the total area. The production is our estimate of carrying capacity under average efficient management.

9.2 Comparable Sales

9.2.1 The below table is a comparable sales summary which are recent sales that we have relied on in establishing the market value of the subject property. We have made comment as to the relationship between the sale property and the subject property. The subject property was purchased in an agreement dated October 2013 for $2,100,000 plus GST.

District	Address	Property Type	Sale Date	Area (ha)	Stock Units Ave efficient	su / ha	Sale Price	SP/ha	SP / su	LV/ha	LV/ su	Comments	Relationship to subject property
Winton	420 Norman Road	Arable	4.18	41	650	15.9	$1,325,000	$32,317	$2,038	$30,854	$1,946	Bare land. Deep soils.	Better
West Plains	480 and 490 West Plains Road	Fin	4.18	46.1	750	16.3	$1,600,000	$34,707	$2,133	$30,043	$1,847	Prime flat land set up as deer unit.	Better
Waimatua	150 and 206 Blondell Rd	Gra	3.18	114.2	1800	15.8	$3,450,000	$30,210	$1,917	$27,145	$1,722	Undulating deep soils. Small cottage. Four stand woolshed with covered cattle and sheep yards. Six bay implement shed	Inferior
Makarewa	5 Settlers Road	Fin	3.18	63	1050	16.7	$1,650,000	$26,190	$1,571	$25,238	$1,514	Deep soils by river. Four stand woolshed. Cut and carry block.	Inferior
Grove Bush	1212 North Makarewa Grove Bush Road	Fin	12.17	45.3	770	17.0	$1,550,000	$34,216	$2,013	$27,152	$1,597	Flat. Deep Waianawa and Woodlands soils. 11 year old 3 bedroom dwelling. Detached single garage. 5 bay shed. Cattle yards. Used as a cut and carry unit.	Similar
Woodlands	Davidson Road	Ara	11.17	56.6	950	16.8	$1,675,000	$29,594	$1,763	$28,887	$1,721	Bare land adjoining dairy unit	Similar
Winton	23 Porteous Road	Fat	11.17	60.7	1000	16.5	$2,500,000	$41,186	$2,500	$28,830	$1,750	Flat deep soils. Good quality five bedroom dwelling. Large range farm buildings. Well presented.	Similar
	Average							**$32,632**	**$1,991**	**$28,307**	**$1,728**		

10.0 VALUATION APPROACHES

10.1 Summation Valuation per Hectare

10.1.1 When assessing the market value of the subject property the land value for the appropriate range of land classes is established and the assessed added value of improvements is calculated. Chattels 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.

10.2 Land Value

10.2.1 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.

10.2.2 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
Deep Central Southland	$21,000 - $34,000/ha	$28,000/ha

10.2.3 We have adopted a value at the mid-range due to the location and proximity to dairy platforms, and general appearance and presentation of the land at inspection.

10.3 Improvements

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

Replacement Cost Approach

10.3.2 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

10.3.3 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.

10.3.4 The Net Rate approach is based on the analysis of sales. The analysis considers the component parts of the improvements i.e. rate per m² of building, rate per metre of fencing, rate per tree/vine etc. These rates are then applied back to the subject property and the various improvements contained on that property to provide an additional approach to value of the improvements.

10.3.5 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

10.3.6 There are no dwellings.

10.3.7 Productive farm buildings are adequate for hay or plant storage.

10.3.8 Fencing and subdivision are adequate.

10.3.9 Farm water supply is good

10.3.10 Races and layout are good.

10.3.11 Cattle Yards are adequate.

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

Land	Description		Area	Unit Price	Provisional	Final		per ha
Heavy Central Southland Flat			71.2442	$28,000	$1,994,838			
Total			71.2442		$1,994,838	$1,995,000	$1,995,000	$28,002
Improvements								
Fencing	**No Pdks**	**Av pdk size**	**Area**	**Rate**				
	22	3.2	71.2442	$350	$24,935			
					$0			
Water Supply			71	$375	$26,625			
Races & Lanes			800	$20	$16,000			
Shelter			1	$5,000	$5,000			
Bridges			1	$15,000	$15,000			
Total Paddock Improvements					$87,560	$88,000	$88,000	
Paddock Value							$2,083,000	$29,237
	Age	**Condition**	**Quantity**	**Rate**				
Hay Barn	1990s	G	69	$50	$3,450	$3,000		
Hay Barn	1960s	F	86	$50	$4,300	$4,000		
Cattle Yards			1	$10,000	$10,000	$10,000		
Total Buildings					$17,750	$17,000	$17,000	
Total Improvements							$105,000	
Total Land & Improvements							**$2,100,000**	**$29,476**
Household Chattels							$0	
Farm Chattels							$0	
								per ha
Total Market Value							**$2,100,000**	**$29,476**

10.4 Summation Valuation per stock unit basis

10.4.1 The common benchmark of analysis for pastoral sales is the sale price per stock unit (su) wintered. 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.

10.4.2 From the sales analysis summary the market reflects the below range and average:

Land Use	Range per SU	Adopted level for subject property
Dairy grazing	$1,100 to $2,000	$1,700

10.4.3 We have adopted the level at the mid range due to location, soils and contour.

10.4.4 We can now estimate the market value as;

Average Efficient Stock Units	Market Value per stock unit	Estimated Market Value
1250	$1,700	$2,125,000

10.5 Valuation Approach Summary

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

Valuation Approach	Market Value Estimate
Per Hectare	$2,100,000
Per Stock Unit. Average Efficient	$2,125,000

10.5.2 While the above approaches arrive at a reasonably acceptable 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.

10.5.3 We therefore adopt the market value at $2,100,000.

11.0 PROPERTY DETAILS

11.1 Legal Description

11.1.1 We refer to the attached Computer Freehold Registers ("titles") at **Error! Reference source not found.** contained within the Southland Land Registration District. To summarise:

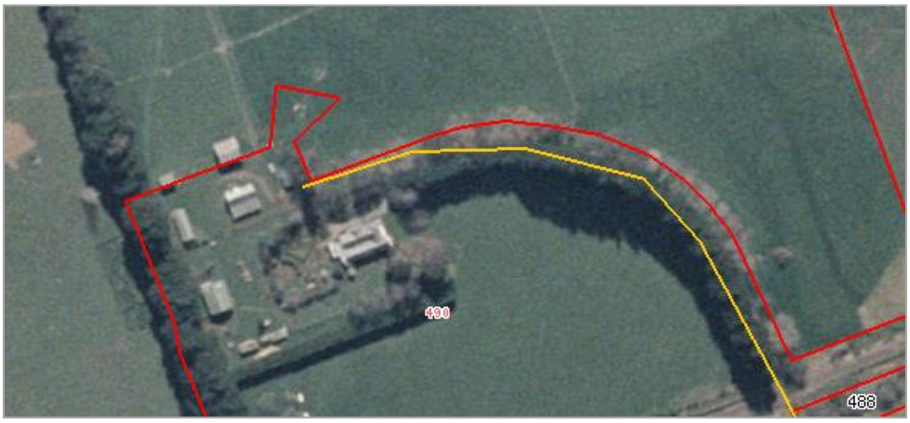
Registered Proprietor	Description	Title Identifier	Area (ha)
Eastbourne Dairy Farm Limited	Lot 1 Deposited Plan 14706	SL11C/939	52.2707 ha
Eastbourne Dairy Farm Limited	Lot 2 Deposited Plan 8791 and Lot 2 Deposited Plan 388349	353547	18.9735 ha
		Total Land Area	**71.2442 ha**
Tenure	Freehold – Estate in Fee Simple		

11.1.2 The following interests or registrations are deemed to be of relevance when considering the property from a valuation perspective. Any material impact of these interests have been taken into account in our valuation assessment.

- Easements – Drainage and Rights of Way both servient and dominant. See Titles attached.

11.1.3 Any user of this report should note there is a metalled track adjacent to the cattle yards which crosses the railway line to Thornbury Waimatuku Road. This is not registered as being legal access.

11.1.4 At inspection there was also some uncertainty over whether a hay barn in the eastern corner is included in the property. From our available maps we conclude that the hay barn is included as per the attached aerial outline;



11.2 Rating Valuation

The Rateable Values assessed as at 1 September 2015:				
Property	***Land Area (ha)***	***Value of Improvements***	***Land Value***	***Capital Value***
488 Thorn-Waimatuku Road	71.2442	$40,000	$2,140,000	$2,180,000

11.3 Resource Consents

11.3.1 There are no Resource Consents currently pertaining to this property.

11.4 Production

11.4.1 The property is currently run as a dairy support/grazing block and no production figures have been provided. District stocking rates for this level of development on these soil types would be in the vicinity of 15 to 17.5 stock units per hectare. We therefore assess the average efficient carrying capacity at 1250 stock units.

Appendix A

Statement of General Valuation Policies

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

EASTBOURNE DAIRY FARM LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2018

EASTBOURNE DAIRY FARM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2018

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

Eastbourne Dairy Farm Limited

DIRECTORY

Nature of Business	Dairy Farming in the South Island of New Zealand
I R D Number	113-403-118
Date of Incorporation	12/02/2014
Company Number	4932539
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	Horsley Christie Wanganui
Auditors	Silks Audit Chartered Accountants Limited Wanganui
Bankers	Bank of New Zealand Wanganui

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

Eastbourne Dairy Farm Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY, 2018

The business of the company is dairy farming.

	THIS YEAR	LAST YEAR
The operating surplus (deficit) of the company for the year ended 31st May 2018 was	428,633	413,397
Taxation charge for the year was	(124,259)	(75,755)
Dividend Paid During Year	(220,000)	-
Retained Earnings at 1st June 2017 were	(584,684)	(922,326)
Retained Earnings at 31 May 2018	(500,310)	(584,684)

It is not proposed to make any transfer to reserves.

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

Assets totalled	$ 10,654,846	$ 10,502,025
and were financed by		
Shareholders equity of	10,349,690	10,265,316
and liabilities of	305,156	236,709
	$ 10,654,846	$ 10,502,025

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

The issuer, Roger Dickie Dairy Limited, in which Roger Dickie, a director, has a controlling interest holds 1,731,000 shares in the company at balance date

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

Administration Services amounting to $18,233 were provided to the Company by Roger Dickie (N Z) Limited in which Roger Dickie, a director, has a controlling interest. The services were provided on normal commercial terms. Reimbursements were also made for $2,255 of Directors Expenses, Entertainment, Meeting Costs, Postage and Subscriptions.

Accounting Services amounting to $7,193 were provided to the Company 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 Roder Dickie 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 SA CHARTERED ACCOUNTANTS LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY, 2018

	Notes	2018 $	2017 $
Operating Revenue			
Stock Proceeds		82,296	102,051
Less Stock Purchases		(2,840)	(46,506)
Change in Livestock Values		2,155	109,370
Gross Income from Livestock		81,611	164,915
Milk Proceeds		1,515,544	1,435,516
Dividends Received		104	-
Sundry Revenue		1,399	6,982
		1,598,658	1,607,413
Operating Expenses			
Rates & Insurance		27,020	26,019
Interest & Finance Charges		1,458	2,889
Animal Health		80,228	69,184
Audit Fees		7,950	7,250
Crop Expenses		59,472	33,465
Directors Fees		-	348
Feed Costs		167,364	90,944
Grazing Fees		121,722	93,217
Sharemilker Payments		329,587	326,793
Vehicle Expenses		11,475	11,928
Other Farm Working Expenses		111,475	98,789
Pasture Maintenance		90,949	107,123
Repairs & Maintenance		117,200	38,919
Depreciation	7	44,125	48,430
Impairment of Fixed Assets	7	-	238,718
		1,170,025	1,194,016
Operating Surplus (Deficit) before Tax		428,633	413,397
Provision for Taxation	4	124,259	75,755
Operating Surplus (Deficit) after Taxation		304,374	337,642
Other Comprehensive Income		-	-
Total Comprehensive Income		304,374	337,642

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 2018			
Total Comprehensive Income for Year	-	304,374	304,374
Capital Contributed	-	-	-
Set Up Costs	-	-	-
Provision for Dividend	-	(220,000)	(220,000)
Equity at Beginning of Year	10,850,000	(584,684)	10,265,316
Equity at End of Year	10,850,000	(500,310)	10,349,690
31 May 2017			
Total Comprehensive Income for Year	-	337,642	337,642
Equity Contributed	-	-	-
Set Up Costs	-	-	-
Provision for Dividend	-	-	-
Equity at Beginning of Year	10,850,000	(922,326)	9,927,674
Equity at End of Year	10,850,000	(584,684)	10,265,316

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

Eastbourne Dairy Farm Limited

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2018

		2018 $	2017 $
Current Assets			
Cash and Cash Equivalents	6	628,417	531,833
Accounts Receivable		313,805	283,897
Livestock on Hand		1,005,800	1,003,645
Feed on Hand		51,792	38,583
Total Current Assets		1,999,814	1,857,958
Non Current Assets			
Shares - Sundry		1,922	1,611
Property, Plant & Equipment	7	8,653,110	8,642,456
Total Non-Current Assets		8,655,032	8,644,067
Total Assets		10,654,846	10,502,025
Current Liabilities			
Bank Overdraft	6	-	-
Provision for Taxation	4	45,502	38,226
GST Payable		36,441	47,006
Accounts Payable		178,934	113,948
Total Current Liabilities		260,877	199,180
Non-Current Liabilities			
Deferred Tax	4	44,279	37,529
Total Non-Current Liabilities		44,279	37,529
Equity		10,349,690	10,265,316
Total Liabilities & Equity		10,654,846	10,502,025

For and on behalf of the board

Director
27 September 2018

Director
27 September 2018

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

Eastbourne Dairy Farm Limited

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MAY, 2018

	Notes	2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		1,590,205	1,400,323
Tax Refunds		-	56,041
GST Refunds		-	9,492
Interest & Dividends		104	-
		1,590,309	1,465,856
Cash was applied to:			
Operating Expenses		(1,124,643)	(964,616)
Interest Paid		(1,458)	(2,889)
GST		(9,732)	-
Taxation Paid		(86,233)	-
		(1,222,066)	(967,505)
Net cash inflow (outflow) from operating activities	9	368,243	498,351
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Fixed Assets		-	-
Sale of Investments		-	317
		-	317
Cash was applied to:			
Purchase of Fixed Assets		(51,348)	(4,605)
Purchase of Investments		(311)	-
		(51,659)	(4,605)
Net cash inflow (outflow) from investing activities		(51,659)	(4,288)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Term Loan		-	-
Equity Contributions		-	-
Cash was applied to:			
Dividends Paid		(220,000)	-
Net cash inflow (outflow) from financing activities		(220,000)	-
Net increase (decrease) in cash held		96,584	494,063
Balance at beginning of year		531,833	37,770
Balance at end of year 31 May 2018	6	628,417	531,833

SILKS AUDIT SA CHARTERED ACCOUNTANTS LTD

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

FOR THE YEAR ENDED 31 MAY, 2018

1. Summary of Significant Accounting Policies

Reporting Entity

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

These financial statements are for a scheme registered under the Financial Markets Conduct Act 2013, and they 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 Company, with the exception that certain assets as specified below have been revalued. Amendments and interpretations to existing standards that are not yet effective have not been early adopted by the Company.

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 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 Company.

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2018 or later periods, but the Company 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 Company'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 Company's financial statements.

NZ IFRS 16 - 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 Company'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) Property, Plant and Equipment

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

All property plant and equipment is initially recorded at cost.

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

Depreciation is provided for on a Straight Line basis for buildings, and on a Diminishing Value basis on all other 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	33 to 50 years
- Plant and equipment	5 to 15 years

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

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

FOR THE YEAR ENDED 31 MAY, 2018 (CONT.)

(b) 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.

(c) Share Capital

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

(d) 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.

(e) Financial Instruments

Financial instruments are recognised in the balance sheet 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.

(f) 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.

(g) Investments

Investments are recorded at market value with the revaluation income recognised through the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

Revenue on sales of goods is recognised when they are delivered and ready for use by the customer.

(j) 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.

(k) 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

(l) Biological Assets

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

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

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

FOR THE YEAR ENDED 31 MAY, 2018 (CONT.)

(m) Feed on Hand

Feed on Hand has been valued at the lower of cost and net realisable value.

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

	2018	2017
Ordinary Shares Issued	11,000,000	11,000,000
Opening Paid Up Capital	10,850,000	10,850,000
Further Capital Paid Up	-	-
Set Up Costs	-	-
Closing Paid Up Capital	10,850,000	10,850,000

All ordinary shares have been issued. 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

	2018	2017
Balance as at 1 June 2017	(584,684)	(922,326)
Operating surplus (deficit) attributable to the shareholders of the parent company.	304,374	337,642
Dividends Paid During Year	(220,000)	-
Balance as at 31 May 2018	(500,310)	(584,684)

4. Taxation

	2018	2017
Net Profit/(Loss) for the year	428,633	413,397
Prima facie income tax at 28%	120,017	115,751
Add (subtract) taxation effect of permanent differences	(1,480)	64,729
Revaluation of Investments	-	
Other Permanent Differences	-	-
Non-recognised Timing Differences	5,762	(59,663)
Imputation Credits Received	(40)	(51)
Recognition of tax losses not previously recognised	-	(45,011)
Income Tax Expense	124,259	75,755
The income tax expense is represented by:		
Current Tax	117,509	38,226
Deferred Tax	6,750	37,529
Income Tax Expense	124,259	75,755

5. Imputation Credit Account

	2018	2017
Balance as at 1 June 2017	51	56,092
Tax Paid	86,226	-
RWT & Imputation Credits on Dividends Received	48	
Tax Refunded	-	(56,041)
Imputation Credits attached to Dividends Paid	(85,556)	-
Balance as at 31 May 2018	769	51

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2018 (CONT.)

6. Cash and Cash Equivalents

	2018	2017
Bank of New Zealand Cheque Account	628,417	531,833
Balance as at 31 May 2018	628,417	531,833

The overdraft is secured by a perfected security interest in all present and after acquired property, including livestock of Eastbourne Dairy Farm Limited
The limit is $250,000. The bank does not have any Financial Covenants in place.

7. Property, Plant & Equipment

	Land	Buildings	Development Expenditure	Plant & Equipment	Total
1 June 2017:					
Cost Price	8,433,212	530,439	58,250	306,599	9,328,500
Accumulated Depreciation/Impairment	(540,613)	(26,023)	(6,854)	(112,554)	(686,044)
Net Book Value	7,892,599	504,416	51,396	194,045	8,642,456
Additions	-	51,683	-	3,096	54,779
Disposals	-	-	-	-	-
	7,892,599	556,099	51,396	197,141	8,697,235
Depreciation	-	(13,789)	(2,330)	(28,006)	(44,125)
Impairment	-				-
Loss/(Gain) on Sale					-
Net Book Value	7,892,599	542,310	49,066	169,135	8,653,110
31 May 2018:					
Cost Price	8,433,212	582,122	58,250	309,695	9,383,279
Accumulated Depreciation/Impairment	(540,613)	(39,812)	(9,184)	(140,560)	(730,169)
Net Book Value	7,892,599	542,310	49,066	169,135	8,653,110
1 June 2016:					
Cost Price	8,433,212	530,439	58,250	301,995	9,323,896
Accumulated Depreciation/Impairment	(301,895)	(12,320)	(4,524)	(80,157)	(398,896)
Net Book Value	8,131,317	518,119	53,726	221,838	8,925,000
Additions	-	-	-	4,604	4,604
Disposals	-	-	-	-	-
	8,131,317	518,119	53,726	226,442	8,929,604
Depreciation	-	(13,703)	(2,330)	(32,397)	(48,430)
Impairment	(238,718)				(238,718)
Loss/(Gain) on Sale	-	-			-
Net Book Value	7,892,599	504,416	51,396	194,045	8,642,456
31 May 2017:					
Cost Price	8,433,212	530,439	58,250	306,599	9,328,500
Accumulated Depreciation/Impairment	(540,613)	(26,023)	(6,854)	(112,554)	(686,044)
Net Book Value	7,892,599	504,416	51,396	194,045	8,642,456

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2018 (CONT.)

8. Financial Instruments

Credit risk

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

The issuing company 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

Accounts receivable include $310,017 (2017: $236,117) receivable from Open Country Dairy Ltd. The company 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 Open Country Dairy Ltd who in turn incurs currency risk. The company has exposure to interest rate risk to the extent that they borrow at floating interest 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 company's 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 company has a total bank overdraft facility of $250,000. At balance date, this was undrawn (2017:$0)

Liquidity Forecasts

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

Interest Rate Risk

The issuing company has exposure to interest rate risk to the extent that it borrows on floating interest rates.

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

	2018	2017
Net Surplus/(Deficit) after tax for the year	304,374	337,642
Set Up Costs classified as Finance Activity	-	-
	304,374	337,642
Add (less) non cash items:-		
- Impairment	-	238,718
- Revaluation of Investments	-	
- Depreciation	44,125	48,430
	348,499	624,790
Add (less) movement in other working capital items:		
Increase (decrease) in accounts payable	61,555	(5,211)
(Increase) decrease in livestock on hand	(2,155)	(109,370)
(Increase) decrease in feed on hand	(13,209)	(7,000)
(Increase) decrease in accounts receivable	(29,908)	(171,009)
Increase (decrease) in GST payable	(1,504)	34,355
Increase (decrease) in Tax payable	(1,785)	94,267
Increase (decrease) in Deferred Taxation	6,750	37,529
Net cash inflow (outflow) from operating activities	368,243	498,351

10. Contingent Liabilities & Contingent Assets

The company has a deferred tax liability from net deferred income of $45,343 (2017: deferred tax liability of $37,529).

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

11. Capital Commitments & Non-Cancellable Operating Leases

At 31 May 2018 there were no other capital commitments and no non-cancellable operating leases. (2017: $Nil)

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

12. Related Party Transactions

a) The company paid administration fees of $18,233 (2017: $2,670) to Roger Dickie (NZ) Ltd, in which Roger Dickie, a director, has a controlling interest. The amount owing at balance date was $231 (2017: Nil).
In addition, $2,255 of reimbursements were made for Directors Expenses, Entertainment, Legal Expenses, Meeting Costs and Subscriptions. The amount owing at balance date was $610 (2017: $11,883)

b) Accounting Services amounting to $7,193 (2017: $6,515) 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 $6,000 (2017: $6,000)

c) The company paid no directors fees to Roger Dickie during the year (2017: $348).
No directors expenses were paid to Steve Barr for the year. (2017: $906)

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

13. Events After Balance Date

There were no significant events occuring after balance date.

14. Stock on Hand

	No.	2018	No.	2017
R1 Heifers	142	120,700	112	106,400
R2 Heifers and Mixed Age Cows	498	885,100	525	897,245
	640	1,005,800	637	1,003,645

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

Reconciliation of Numbers:	No.	2018	No.	2017
Opening Stock	637	1,003,645	625	894,275
Purchases	6	18,539	28	46,506
Sales	(410)	(97,995)	(412)	(102,051)
Increase/decrease in values of cattle		81,611		164,915
Natural Increase	420	-	418	-
Deaths & Missing	(13)	-	(22)	-
Closing Stock	640	1,005,800	637	1,003,645

15. Significant Judgements & Uncertainties

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

16. Securities Given

In addition to security given to the bank as per Note 6, RD1 Limited has registered a PPSR in respect of all goods it has supplied to the company.
PGG Wrightson Limited has similarly registered a PPSR is respect of 16 bulls purchased.

SILKS AUDIT CHARTERED ACCOUNTANTS LTD SA

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INDEPENDENT AUDITORS REPORT

To the Shareholders of Eastbourne Dairy Farm Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Eastbourne Dairy Farm Limited (the Company) on pages 3 to 12, which comprise the statement of financial position as at 31 May 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 May 2018, and its financial performance and its 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 Financial Statements section of our report. We are independent of the Company 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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Other information

The directors are responsible on behalf of the company 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 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 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
AUSTRALIA + NEW ZEALAND

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 Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible on behalf of the Company for assessing the Company'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 Company 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 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 financial statements.

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

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