7 October 2013

COLDSTREAM DOWNS DAIRY FARM LIMITED
ANNUAL REPORT FOR THE YEAR ENDING 31 MAY 2013

The final payout of $6.16kg of milksolids (ms) for the 2012-2013 season was announced last week, this was ahead of the $5.80 forecast at the start of the year.

Production was originally set for 320,000kgms. In February it was lowered to 301,000kgms as a result of the severe drought that affected all of the country including Southland. Production achieved was 271,411kgms for the farm; this was down by 8.5% compared to the previous season.

The operating surplus for the year was $1,039,094. The underlying cash trading surplus before tax was $1,186,938. The Directors will meet to decide if a dividend is to be paid to shareholders and their decision will be announced at the AGM in November.

The current valuation for Coldstream Downs has increased by $600,000 to $8,300,000 excluding the 310,000 Fonterra Shares which are currently valued at $6.98.

I am concerned that the annual valuation we receive for Coldstream Downs seems to be significantly below the market price that other similar dairy farms are selling for. We have asked experienced real estate agents to comment on the valuation and they have said in their opinion it would not be possible to buy Coldstream Downs for the valuation figure. Next year we may use different valuers in an attempt to give shareholders a more accurate view of market value.

Based on the 2013 year end accounts with equity of $5,928,595 the net asset backing per share is $2.20. There were no share sales in the last financial year.

The term loan as at 24 July 2013 was $1,382,437, the floating interest rate on that is 5.27%.

Capital expenses for the effluent system were budgeted at $5,700. Environment Southland carried out an inspection on the property to ensure the conditions of the effluent consent were being meet and we were notified that a K-Line monitor needed to be installed for us to be able to work within the consent conditions. The system monitors pressure in the effluent line at the hydrant or paddock and shuts the pump off in case of pressure drop. It communicates via radio signal to a box in the cow shed. We subsequently installed this system for a cost of $11,656. At the same time we took the opportunity to shift the effluent pump from the dairy shed to the pond, at a cost of $6,500.

Maintenance carried out on the workers dwellings included the replacement of carpet and a heat pump for a cost of $8,642.

The dry conditions throughout summer meant we spent an extra $58,000 on feed. This was off set by a decrease in grazing costs of around $70,000. The grazing off farm blocks also suffered in the drought with a lack of grass and cows were returned to the farm earlier than expected.

Farm repairs and maintenance for the year included drainage work to rectify several blocked pipes in an area of the farm that required upgrading. The pipes were dug out and replaced with new Novaflow at a cost of $9,938. The annual service on the milk pump and the vacuum pump at the dairy shed was completed prior to the commencement of calving . Both pumps received a complete overhaul this year at a cost of $8,500.

Farm Update – Current Season

It is pleasing to hear the announcement from Fonterra lifting the 2013/2014 forecast price to $8.30 plus a dividend of 32 cents.

Coldstream's target production for this season has been set at 301,000kgms. Production to date is 5% ahead of last season. Leo has been working with Jack Ballam our farm consultant in establishing an agreed feed and business plan plus a budget that delivers profit to both parties.

I visited Coldstream in early August and I was pleased to see the farm had recovered well since the summer drought and there was plenty of grass. Leo has reported the new season has started well, with no major issues. The weather has been very mild and dry and with calving almost finished, this will allow us to make silage earlier than expected. We budgeted for a new Krone mower which arrived in late August.

We have decided to hold this years AGM at Wellington airport in their conference centre to assist any shareholders who may care to fly in for the meeting. An important topic for discussion at the meeting will be the future of Coldstream, this was discussed at last years AGM and the feeling of shareholders then was to retain the investment.

If the forecast Fonterra price is sustained then our income will rise by approximately $2.30/kgms or around $700,000. Hopefully costs will be maintained at previous levels.

Leo and Maricel's position as lower order sharemilker is now on a year by year contract, we will discuss the future situation with them later this calendar year.

Many investors have enjoyed our biennial farm visits organised in previous years. We plan to organise another farm visit for early 2014 and will provide more details at a later date.

Many thanks go to Jack Ballam our farm consultant and Directors Jeff Whitlock and Steve Barr for their contributions throughout the year. Thanks go to our Sharemilkers Leo, Maricel and their staff for the work achieved over the year.

Regards

RR Dickie – Director Coldstream Downs Dairy Farm Limited

COLDSTREAM DOWNS DAIRY FARM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2013

Coldstream Downs Dairy Farm Limited

DIRECTORY

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

Coldstream Downs Dairy Farm Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY, 2013

The business of the company through its subsidiary Coldstream Downs Ltd is dairy farming.

	THIS YEAR	LAST YEAR
The operating surplus (deficit) of the company for the year ended 31st May 2013 was	1,039,094	615,213
Taxation charge for the year was	(46,922)	(171,713)
Dividends Paid & Provided were	-	(225,000)
Retained Earnings at 1st June 2012 were	589,802	371,302
Retained Earnings at 31 May 2013	$ 1,581,974	$ 589,802

It is not proposed to make any transfer to reserves.

The state of the company's affairs at 31st May 2013 was:-

Assets totalled	$ 8,393,008	$ 7,830,770
and were financed by		
Shareholders equity of	6,145,744	5,153,572
and liabilities of	2,247,264	2,677,198
	$ 8,393,008	$ 7,830,770

The Board of Directors present their annual report, including the financial statements of the Company for the year ended 31 May 2013.

Directors interests:

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

Directors Fees were paid to S J Barr amounting to $3,334. No other remuneration was paid to directors during the year

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

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

Administration Services amounting to $19,133 were provided to the Group by Roger Dickie (NZ) in which Roger Dickie, a director, has a controlling interest. The services were provided on normal commercial terms.

Accounting Services amounting to $12,430 were provided to the Group by Markhams Waverley Ltd in which Jeff Whitlock, a director, is also a director. The services were provided on normal commercial terms.

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
4 October 2013

Director
4 October 2013

SILKS AUDIT CHARTERED ACCOUNTANTS SA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY, 2013

	Notes	GROUP 2013 $	PARENT 2013 $	GROUP 2012 $	PARENT 2012 $
Operating Revenue	4	1,697,579		2,221,429	225,000
Revaluation of Investments	18	869,515	-	-	-
		2,567,094	-	2,221,429	225,000
Operating Expenditure	5	1,408,826	-	1,473,306	-
Interest & Finance Charges		119,174	-	132,910	-
		1,528,000	-	1,606,216	-
Operating Surplus (Deficit) before Tax		1,039,094	-	615,213	225,000
Income Tax Expense	6	46,922	-	171,713	-
Operating Surplus (Deficit) after Taxation		992,172	-	443,500	225,000
Attributable to Owners of the parent company		1,002,551	-	414,783	225,000
Attributable to Minorities		(10,379)		28,717	-
		992,172	-	443,500	225,000

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2013

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2013 - Group			
Total Comprehensive Income for Year	-	992,172	992,172
Less Dividends Paid & Provided		-	-
Total Movement in Equity	-	992,172	992,172
Equity at Beginning of Year	4,400,000	589,802	4,989,802
Equity at End of Year	4,400,000	1,581,974	5,981,974
31 May 2013 - Attributable to Owners of Parent Company			
Total Comprehensive Income for Year	-	1,002,551	1,002,551
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	-	1,002,551	1,002,551
Equity at Beginning of Year	4,400,000	526,044	4,926,044
Equity at End of Year	4,400,000	1,528,595	5,928,595
31 May 2013 - Attributable to Minorities			
Total Comprehensive Income for Year		(10,379)	(10,379)
Capital Contributed	-		-
	-	(10,379)	(10,379)
Less Dividends Paid & Provided		-	
Total Movement in Equity	-	(10,379)	(10,379)
Equity at Beginning of Year	163,770	63,758	227,528
Equity at End of Year	163,770	53,379	217,149
31 May 2013 - Parent			
Total Comprehensive Income for Year	-	-	-
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	-	-	-
Equity at Beginning of Year	4,400,000	(226,399)	4,173,601
Equity at End of Year	4,400,000	(226,399)	4,173,601

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2013

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2012 - Group			
Total Comprehensive Income for Year	-	443,500	443,500
Less Dividends Paid & Provided		225,000	225,000
Total Movement in Equity	-	218,500	218,500
Equity at Beginning of Year	4,400,000	371,302	4,771,302
Equity at End of Year	4,400,000	589,802	4,989,802
31 May 2012 - Attributable to Owners of Parent Company			
Total Comprehensive Income for Year	-	414,783	414,783
Less Dividends Paid & Provided		225,000	225,000
Total Movement in Equity	-	189,783	189,783
Equity at Beginning of Year	4,400,000	336,261	4,736,261
Equity at End of Year	4,400,000	526,044	4,926,044
31 May 2012 - Attributable to Minorities			
Total Comprehensive Income for Year	-	28,717	28,717
Capital Contributed	66,270	-	66,270
	66,270	28,717	94,987
Less Dividends Paid & Provided		-	-
Total Movement in Equity	66,270	28,717	94,987
Equity at Beginning of Year	97,500	35,041	132,541
Equity at End of Year	163,770	63,758	227,528
31 May 2012 - Parent			
Total Comprehensive Income for Year	-	225,000	225,000
Less Dividends Paid & Provided	-	225,000	225,000
Total Movement in Equity	-	-	-
Equity at Beginning of Year	4,400,000	(226,399)	4,173,601
Equity at End of Year	4,400,000	(226,399)	4,173,601

SILKS AUDIT CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2013

	Note	GROUP 2013 $	PARENT 2013 $	GROUP 2012 $	PARENT 2012 $
Current Assets					
Cash and Cash Equivalents	8	163,026	-	71,154	-
Accounts Receivable		365,556	-	484,874	-
Prepayments		16,852	-	22,150	-
Provision for Taxation		-	-	147,831	-
Cattle on Hand	9	1,686,300	-	1,776,350	-
Loan to Subsidiary			4,173,600	-	4,173,600
Total Current Assets		2,231,734	4,173,600	2,502,359	4,173,600
Non Current Assets					
Shares in Fonterra	18	2,263,000	-	1,401,200	-
Shares in Sundry Companies		28,373	-	18,984	-
Shares in Subsidiary		-	1	-	1
Property, Plant & Equipment	10	3,869,901	-	3,908,227	-
Total Non-Current Assets		6,161,274	1	5,328,411	1
Total Assets		8,393,008	4,173,601	7,830,770	4,173,601
Current Liabilities					
Bank Overdraft	8	-	-	34,266	-
Provision for Taxation		14,877	-	-	-
Current Portion of Term Liabilities	11	274,611	-	265,304	-
GST Payable		49,648	-	28,700	-
Accounts Payable		264,840	-	395,247	-
Total Current Liabilities		603,976	-	723,517	-
Non-Current Liabilities					
Deferred Tax	6	231,946	-	268,252	-
Bank of New Zealand Term Loan	11	1,411,342	-	1,685,429	-
Total Non-Current Liabilities		1,643,288	-	1,953,681	-
Equity					
Attributable to Owners of parent company		5,928,595	4,173,601	4,926,044	4,173,601
Attributable to Minorities		217,149		227,528	-
		6,145,744	4,173,601	5,153,572	4,173,601
Total Liabilities & Equity		8,393,008	4,173,601	7,830,770	4,173,601

For and on behalf of the Board

Director
4 October 2013

Director
4 October 2013

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

SILKS AUDIT CHARTERED ACCOUNTANTS

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MAY, 2013

	Notes	GROUP 2013 $	PARENT 2013 $	GROUP 2012 $	PARENT 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		1,816,790	-	2,063,922	-
Tax Refunded		119,985		-	-
Dividends		110,393	-	109,934	225,000
Interest		1,466		1,467	-
		2,048,634	-	2,175,323	225,000
Cash was applied to:					
Operating Expenses		(1,413,118)	-	(1,384,316)	-
Interest Paid		(125,986)	-	(134,220)	-
GST		23,998	-	39,313	-
Taxation Paid		(133,043)	-	(302,100)	-
		(1,648,149)	-	(1,781,323)	-
Net cash inflow (outflow) from operating activities	13	400,485	-	394,000	225,000
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Fixed Assets		-	-	-	-
Sale of Investments		74	-	336	-
		74	-	336	
Cash was applied to:					
Purchase of Subsidiary				-	-
Loan to Subsidiary				-	-
Purchase of Fixed Assets		(7,893)	-	(73,147)	-
Purchase of Investments		(1,748)	-	(61)	-
		(9,641)	-	(73,208)	-
Net cash inflow (outflow) from investing activities		(9,567)	-	(72,872)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Share Capital Subscribed		-	-	66,270	-
Cash was applied to:					
Dividends Paid		-	-	(237,000)	(225,000)
Loan Repayment		(264,780)		(346,061)	-
		(264,780)	-	(583,061)	(225,000)
Net cash inflow (outflow) from financing activities		(264,780)	-	(516,791)	(225,000)
Net increase (decrease) in cash held		126,138	-	(195,663)	-
Balance at beginning of year		36,888	-	232,551	-
Balance at end of year 31 May 2013		163,026	-	36,888	-

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

FOR THE YEAR ENDED 31 MAY, 2013

1. Summary of Significant Accounting Policies

Reporting Entity

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

The group consists of the Parent company Coldstream Downs Dairy Farm Ltd, which is an issuer, and its wholly owned subsidiary Coldstream Downs Ltd, and 85% subsidiary Coldstream Downs Sharemilking Ltd.

Coldstream Downs Dairy Farm Ltd is an issuer as defined by the Financial Reporting Act 1993 and these financial statements and these group financial statements have been prepared in accordance with this Act.

Measurement Base

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

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

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

The information is presented in New Zealand dollars.

Specific Accounting Policies

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

(a) Basis of Consolidation

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

(b) Property, Plant and Equipment

The company has these classes of property, plant and equipment:
- Freehold Land;
- Freehold Buildings;
- Plant 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 Diminishing Value basis on all tangible property, plant and equipment other than freehold land and capital work in progress, at depreciation rates calculated to allocate the assets' cost over their estimated useful lives.

Major Depreciation Periods are:

- Land Development	25 years
- Freehold Buildings	50 years
- Plant and equipment	5 to 15 years

(c) Impairment

At each reporting date, the carrying amount of tangible and intangible assets are reviewed to determine whether there is any indication of impairment. If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cashflows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.
A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.
Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future pre-tax cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted.
If a revalued asset is determined to be impaired, the impairment if firstly applied against the related component of the revaluation reserve, with any remaining impairment loss expensed in the income statement. If the impairment loss is subsequently reversed, the reversal is firstly applied to the income statement to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve. For assets which are not revalued, an impairment loss is expensed immediately to the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

SILKS AUDIT CHARTERED ACCOUNTANTS

(d) Share Capital

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

(e) Taxation

The income tax expense charged to the income statement includes both the current year's provision and the income tax effect of:
- Taxable temporary differences, except those arising from initial recognition of goodwill and other assets that are not depreciated; and
- Deductible temporary differences to the extent that it is probable that they will be utilised.

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

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

(f) Financial Instruments

Financial instruments are recognised in the 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.

(g) Receivables and Payables

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

(h) Investments

Investments are recorded at market value, except for Fonterra shares which are revalued to fair value price through the Statement of Comprehensive Income

(i) Borrowings

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

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

(j) Revenue

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

(k) Cashflows

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

(l) Goods and Services Tax

These accounts have been prepared exclusive of Goods and Services Tax.

(m) Biological Assets

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

Changes in Accounting Policies

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

2. Issued Shares

	Group 2013	Parent 2013	Group 2012	Parent 2012
Ordinary Shares Issued	4,500,000	4,500,000	4,500,000	4,500,000
Opening Paid Up Capital	4,400,000	4,400,000	4,400,000	4,400,000
Further Capital Paid Up	-	-	-	-
Closing Paid Up Capital	4,400,000	4,400,000	4,400,000	4,400,000

All ordinary shares have been issued. There are 100,000 unpaid ordinary shares (2012: 100,000). All shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value.

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

FOR THE YEAR ENDED 31 MAY, 2013 (CONT.)

3. Retained Earnings

	Group 2013	Parent 2013	Group 2012	Parent 2012
Balance as at 1 June 2012	589,802	(226,399)	371,302	(226,399)
Operating surplus (deficit) attributable to the shareholders of the parent company	1,002,551	-	414,783	225,000
Operating surplus (deficit) attributable to minorities	(10,379)	-	28,717	
	1,581,974	(226,399)	814,802	(1,399)
Dividends Paid - Shareholders of Parent	-	-	225,000	225,000
Dividends Paid - Minorities	-	-	-	
Balance as at 31 May 2013	1,581,974	(226,399)	589,802	(226,399)

4 Operating Revenue

	Group 2013	Parent 2013	Group 2012	Parent 2012
Stock Sales	108,871	-	115,121	-
Less Stock Purchases	25,500	-	28,570	-
	83,371	-	86,551	-
Change in Stock on Hand	(90,050)	-	199,350	-
	(6,679)	-	285,901	-
Milk Proceeds & Other Sales	1,590,241	-	1,824,050	-
Interest & Dividend Income	111,859	-	111,401	225,000
Other Income	2,158	-	77	-
Total Operating Revenue	1,697,579	-	2,221,429	225,000

5 Operating Expenses

	Group 2013	Parent 2013	Group 2012	Parent 2012
Included in operating expenses are:				
Audit Fees	10,995		9,810	-
Depreciation Expense	57,794		64,263	-
Loss(Gain) on Disposal of Fixed Assets	-		-	-
Revaluation of Fonterra Shares	-		-	
Rental and Operating Expenses	-		-	-

6. Taxation

	Group 2013	Parent 2013	Group 2012	Parent 2012
Net profit/(Loss) for the year	1,039,094	-	615,213	225,000
Prima facie income tax at 28%	290,946	-	172,259	63,000
Add (subtract) taxation effect of permanent differences				
Revaluation of Investments	(243,464)	-	-	-
Herd Scheme Value non-taxable adjustment	-	-	-	-
Recognition of tax losses not previously recognised	-	-		
Unrecognition of future tax losses	-	-	-	
Imputation Credits Received	(560)	-	(546)	(63,000)
Income Tax Expense	46,922	-	171,713	-
The income tax expense is represented by:				
Current Tax	83,228	-	130,392	-
Deferred Tax	(36,306)	-	41,321	-
Income Tax Expenses	46,922	-	171,713	-

There are no income tax losses and unrecognised timing differences carried forward (2012:Nil) for set-off against future assessable income subject to Inland Revenue Department Assessment.

7. Imputation Credit Account

	Group 2013	Parent 2013	Group 2012	Parent 2012
Balance as at 1 June 2012	265,713	-	63,951	-
Tax Refunded	(121,334)		-	-
Tax Paid	134,368		302,099	-
Imputation Credits Received	778	-	758	96,429
Imputation Credits attached to Dividends Paid	-	-	(101,095)	(96,429)
Balance as at 31 May 2013	279,525	-	265,713	-

SILKS AUDIT CHARTERED ACCOUNTANTS

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

FOR THE YEAR ENDED 31 MAY, 2013 (CONT.)

8. Cash and Cash Equivalents

	Group 2013	Parent 2013	Group 2012	Parent 2012
Bank of New Zealand Cheque Accounts	163,026	-	(34,266)	-
Bank of New Zealand Call Accounts	-	-	71,154	-
Balance as at 31 May 2013	163,026	-	36,888	-

The Coldstream Downs Ltd overdraft is secured by a first mortgage over the farm property and perfected security interest in all present and after acquired property, including livestock, of Coldstream Downs Limited and Mortgage over Dairy Company Shares in Fonterra Co-Operative Ltd. The limit is $300,000 and the interest rate at year end is 9.80%
The Coldstream Downs Sharemilking Ltd overdraft is secured by a perfected security interest in all present and after acquired property of Coldstream Downs Sharemilking Ltd, including livestock, and a guarantee for the amount of $350,000 plus interest and costs in terms of the banks standard guarantee form from Coldstream Downs Ltd. The limit is $200,000 and the interest rate at year end is 9.8%
Coldstream Downs Limited has a General Security Agreement in favour of Coldstream Downs Sharemilking Limited for $5,400,000.

9. Stock on Hand

	No.	Group 2013	Parent 2013	No.	Group 2012	Parent 2012
R1 Heifers	235	211,500		187	233,750	-
R2 Heifers and Mixed Age Cows	855	1,474,800		885	1,542,600	-
Other Stock						-
	1,090	1,686,300	-	1,072	1,776,350	-

Stock is stated at market value as at 31 May 2013 based on a valuation by Progressive Livestock Southland Ltd, Timaru, dated 7 June 2013. Progressive Livestock Southland Ltd are independent specialist dairy livestock agents.

Reconciliation of Numbers:	No.	$	No.	$
Opening Stock	1072	1,776,350	1071	1,577,000
Purchases	15	25,500	17	28,570
Sales	-619	-108,871	-650	-115,121
Increase/decrease in gross profit from cattle		-6,679		285,901
Natural Increase	671	0	667	0
Deaths & Missing	-49	0	-33	0
Closing Stock	1090	1,686,300	1072	1,776,350

10. Property, Plant & Equipment

	Land	Buildings	Development Expenditure	Plant & Equipment	Motor Vehicles	Total
1 June 2012:						
Cost Price	2,888,612	716,317	178,550	342,766	111,251	4,237,496
Accumulated Depreciation	-	(128,941)	(31,186)	(142,795)	(26,347)	(329,269)
Net Book Value	2,888,612	587,376	147,364	199,971	84,904	3,908,227
Additions			19,468	-		19,468
Disposals	-	-	-	-	-	-
	2,888,612	587,376	166,832	199,971	84,904	3,927,695
Depreciation	-	9,020	8,855	28,881	11,038	57,794
Loss/(Gain) on Sale	-	-	-	-	-	-
Net Book Value	2,888,612	578,356	157,977	171,090	73,866	3,869,901
31 May 2013:						
Cost Price	2,888,612	716,317	198,018	342,766	111,251	4,256,964
Accumulated Depreciation	-	(137,961)	(40,041)	(171,676)	(37,385)	(387,063)
Net Book Value	2,888,612	578,356	157,977	171,090	73,866	3,869,901
1 June 2011:						
Cost Price	2,888,612	716,317	158,885	299,784	111,251	4,174,849
Accumulated Depreciation	-	(119,651)	(22,275)	(109,420)	(13,660)	(265,006)
Net Book Value	2,888,612	596,666	136,610	190,364	97,591	3,909,843
Additions	-	-	19,665	42,982	-	62,647
Disposals	-	-	-	-	-	-
	2,888,612	596,666	156,275	233,346	97,591	3,972,490
Depreciation	-	9,290	8,911	33,375	12,687	64,263
Loss/(Gain) on Sale	-	-	-	-	-	-
Net Book Value	2,888,612	587,376	147,364	199,971	84,904	3,908,227
31 May 2012:						
Cost Price	2,888,612	716,317	178,550	342,766	111,251	4,237,496
Accumulated Depreciation	-	(128,941)	(31,186)	(142,795)	(26,347)	(329,269)
Net Book Value	2,888,612	587,376	147,364	199,971	84,904	3,908,227

SILKS AUDIT CHARTERED ACCOUNTANTS

11. Non Current Liabilities

	Group 2013	Parent 2013	Group 2012	Parent 2012
B N Z Term Loan - Current	274,611		259,939	-
Tractor Hire Purchase - Current	-		5,365	
	274,611	-	265,304	-
B N Z Term Loan - Term	1,411,342	-	1,685,429	-
Tractor Hire Purchase - Term	-	-	-	
	1,411,342	-	1,685,429	
	1,685,953	-	1,950,733	-
Repayable as follows:				
Less than 1 Year	274,611	-	265,304	-
Between 1 - 2 Years	290,221		274,800	-
Between 2 - 5 Years	973,443		922,302	-
Greater than 5 years	147,678		488,327	-
	1,685,953		1,950,733	-

a) The bank loans and overdraft are secured by a first mortgage over the farm property and perfected security interest in all present and after acquired property, including livestock, of Coldstream Downs Limited and Mortgage over Dairy Company Shares in Fonterra Co-Operative Limited, and perfected security interest in all present and after acquired property, including Livestock, of Coldstream Downs Sharemilking Limited. Coldstream Downs Sharemilking Ltd has been given a guarantee for the amount of $350,000 plus interest and costs in terms of the bank's standard guarantee form from Coldstream Downs Ltd.

12. Financial Instruments

Credit risk

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

The Issuing Group manages its exposure to credit risk

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

Concentrations of credit risk

Group accounts receivable include $356,871 (2012: $484,376) receivable from Fonterra. The group does not have any other significant concentrations of credit risk.

Currency and Interest rate risk

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

Fair values

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

Liquidity Risks

Liquidity risk represents the Issuing Groups ability to meet its financial obligations on time. For the most part the Company generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls. The Issuing Group has a total bank overdraft facilities of $500,000. At balance date none (2012: $34,266) of this has been borrowed by the Company.

Liquidity Forecasts

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

Interest Rate Risk

The Issuing Group has exposure to interest rate risk to the extent that it borrows for a fixed term at fixed rates. The Issuing Group manages its cost of borrowing by placing limits on the proportion of borrowings at floating rate, and the proportion of fixed rate borrowing that is repriced in any year.

Guarantee

A guarantee has been provided to the Bank of New Zealand for $350,000 in relation to Coldstream Downs Sharemilking Limited's banking facilities.

STATEMENT OF ACCOUNTING POLICIES AND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2013 (CONT.)

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

	Group 2013	Parent 2013	Group 2012	Parent 2012
Net Surplus/(Deficit) after tax for the year	992,172	-	443,500	225,000
Add (less) non cash items:-				
- Revaluation of Investments	(869,515)	-	-	-
- Depreciation	57,794	-	64,263	-
	180,451	-	507,763	225,000
Add (less) movement in other working capital items:				
Increase (decrease) in accounts payable	(49,443)	-	84,390	-
(Increase) decrease in livestock on hand	90,050	-	(199,350)	-
(Increase) decrease in accounts receivable	119,318	-	128,000	
(Increase) decrease in prepayments	5,298	-	17,234	-
Increase (decrease) in GST payable	20,948	-	(13,651)	-
Increase (decrease) in Taxation Payable	70,169	-	(171,707)	-
Increase (decrease) in Deferred Tax payable	(36,306)	-	41,321	-
Net cash inflow (outflow) from operating activities	400,485	-	394,000	225,000

14. Contingent Liabilities

The Company has no significant Contingent Liabilities that the board is aware of. (2012: NIL)

15. Capital Commitments

At 31 May 2013 there was no capital commitments. (2012:$NIL)

16. Events After Balance Date

There were no significant events occurring after balance date.

17. Investment in Subsidiaries

	2013	2012	Business
Coldstream Downs Limited	100%	100%	Dairy Farming
Coldstream Downs Sharemilking Limited	85%	85%	Sharemilking

The Company owns 100 ordinary shares in Coldstream Downs Limited (unpaid), and Coldstream Downs Limited owns 85% (2012: 85%) of Coldstream Downs Sharemilking Limited

18. Investment in Fonterra Co-operative Group Limited

	2013 No.	2013 $	2012 No.	2012 $
Shares held at 1 June 2012	310,000	1,401,200	310,000	1,401,200
Shares redeemed re 2012 Season	-	-	-	-
Shares Purchased re 2012 Season	-	-	-	
Revaluation of Shares	-	861,780	-	-
Shares held at 31 May 2013	310,000	2,262,980	310,000	1,401,200

Subsequent to balance date the Fonterra shares have fallen to $7.03 as at the date of issue of these financial statements

19. Related Party Transactions

a) The subsidiary paid administration fees of $19,133 (2012 $22,347) to Roger Dickie (NZ) Ltd, in which Roger Dickie, a director, has a controlling interest. These fees were charged on normal commercial terms and conditions.

b) Accounting Services amounting to $12,430 (2012 $12,592) were provided to the Group by Markhams Waverley Ltd in which Jeff Whitlock, a director, is also a director. The services were provided on normal commercial terms.

c) Directors Fees were paid to S J Barr amounting to $3,334 (2012: $1,541)

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

INDEPENDENT AUDITORS REPORT

24 Bell Street
Wanganui 4500
PO Box 7144
Wanganui 4541
New Zealand

T: (06) 345 8539
F: (06) 345 2212
E: silks@silks.co.nz
www.silksaudit.co.nz

To the Shareholders of Coldstream Downs Dairy Farm Limited.

Report on the Financial statements
We have audited the financial statements of Coldstream Downs Dairy Farm Limited and group on pages 3 to 12 which comprise the consolidated and separate statement of financial position of Coldstream Downs Dairy Farm Limited. as at 31 May 2013, the consolidated and separate statement of comprehensive income, statement of changes in equity, cashflow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholders, as a body, in accordance with section 205(1) of the Companies Act 1993. 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 auditors 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

The Directors' Responsibility for the Financial statements
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion
In our opinion the financial statements of Coldstream Downs Dairy Farm Limited for the year ended 31 May 2013:

- comply with generally accepted accounting practice in New Zealand;
- comply with international financial reporting standards;
- give a true and fair view of the financial position of the Coldstream Downs Dairy Farm Limited as at 31 May 2013 and the results of its operations and cashflows for the year ended on that date.

Report on Other Legal and Regulatory Requirements
We also report in accordance with the Financial Reporting Act 1993. In relation to our audit of the consolidated financial statements for the year ended 31 May 2013:

(i) We have obtained all the information and explanations we have required; and

(ii) In our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

Silks Audit

Silks Audit
Chartered Accountants
Wanganui, New Zealand

Date: **4 October 2013**

CHARTERED ACCOUNTANTS