AGENDA

Coldstream Downs Dairy Farm Limited

PO Box 43 WAVERLEY 4544 Tel +64 6 346 5329
Fax +64 6 346 5369 Email: invest@rogerdickie.co.nz

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given the Annual General Meeting of Coldstream Downs Dairy Farm Limited will be held at Wellington Airport Conference Centre's Sunderland Room on Thursday 23rd October 2014

PROGRAMME

11.40 - 12.00pm Light Lunch
12.15 - 1.15pm Annual General Meeting

ATTENDANCE/CATERING

If you are attending the AGM please assist by advising the office by 15th October. **It is important we have accurate numbers for catering purposes. Thank you to those shareholders who have already advised via email.**

DIRECTIONS

The conference rooms are situated on the mezzanine floor above the food court, take the stairs just past Witchery clothing and turn left at the top. A map layout of the floor is attached.

AGENDA

1. Appointment of Chairperson
2. Apologies and Proxies
3. Minutes of Previous Meeting
4. Arising from Minutes
5. Annual Report and Financial Accounts - To receive and adopt the Annual Report and Financial Statements for the Year ending 31 May 2014
6. Approval of Dividend
7. Appointment of Auditor - To consider the appointment of Auditor
8. Appointment of Director - In accordance with the constitution Roger Dickie retires as a Director. Roger is available for re-election
9. General Business -

PROXY VOTING

Shareholders are required to complete the attached Proxy Form and return to our office by Tuesday 21st October:

- **Mail** to Roger Dickie (NZ) Ltd (envelope provided); or
- **Fax** to 06 346 5369; or
- **Scan and email** to michelle@rogerdickie.co.nz; or
- **Vote on-line** by the link to the Proxy (as sent to you via email)

Michelle O'Neill, Administration, has been appointed by the Board as the Returning Officer to receive, record and count all votes.

I look forward to meeting you all at the AGM.

For and on behalf of the Board

RR Dickie
Chairman

PROXY VOTING FORM

Coldstream Downs Dairy Farm

Po Box 43, WAVERLEY 4544
Fax: +64 6 346 5369 Email: invest@rogerdickie.co.nz

PLEASE PRINT CLEARLY

PARTNER NAME____

ADDRESS____

APPOINT A PROXY
I/We being a Shareholder of Coldstream Downs Dairy Farm Limited:

hereby appoint______________________________of______________________________
(FULL NAME OF PROXY) (ADDRESS)

As Proxy to vote on (my/our) behalf at the Annual General Meeting of the Shareholders to be held on Thursday 23 October 2014

ATTENDING
I/We will be attending the AGM ☐ Number Attending ☐

Please provide names for name badges______________________________

APOLOGY
Please tender my/our apology ☐

PROXY VOTE
And instruct my Proxy to vote – Resolution 1) **For** ☐ **Against** ☐ **As Proxy decides** ☐

And instruct my Proxy to vote – Resolution 2) **For** ☐ **Against** ☐ **As Proxy decides** ☐

RESOLUTIONS:

1. Appointment of external Auditors. That Silks Audit of Wanganui be re-appointed.
2. Appointment of Director. Roger Dickie retires as Director and is available for re-election. That Roger Dickie be re-appointed Director.

ELECTRONIC VOTING
You can complete the form electronically by the link sent to you via email (username: coldstream and password: RDNZ8644)

SIGNED______________________________ **DATE**______________

SIGNED______________________________ **DATE**______________

October 2014

COLDSTREAM DOWNS LIMITED
ANNUAL REPORT FOR THE YEAR ENDING 31 MAY 2014

Coldstream Downs' final production for the 2013-2014 season was 325,183.4 kg/ms, a record breaking effort from Leo and his team. They exceeded the target for the season of 301,000kgms by 8%, the highest production Coldstream has done to date and demonstrates that the production forecasts are very achievable given the correct mix of inputs.

The final payout announced by Fonterra is $8.40kg/ms plus 15c for the dividend, a record payout and certainly more palatable to the investors in Coldstream than last years' $5.84.

Net milk proceeds after paying out the sharemilker were just over $300,000 ahead of budget. This means the company is in a good position to pay out a 5% dividend despite the fact that the upcoming season will not be nearly as profitable.

The regular debt reductions we have been making means that despite the $5.30 predicted payout for the 2014/15 Season the company still anticipates being cashflow positive in the current year. Prior to the fall in dairy prices the directors had been contemplating moving to the payment of two dividends each year.

The balance of the term loan as at 31 May 2014 for Coldstream Downs is $1,423,289.18 and for the ColdstreamSharemilking Company is $262,663.90, a total debt of $1,685,953.08. The floating interest rates on the loanswere 5.8% and 6.04% respectively. In the last financial year we have repaid principal of $245,570.65 forColdstream and $29,932.26 for the Sharemilking Company.

Logan Stone Limited have valued Coldstream Downs this year and a copy of their report is included with this posting. As this is the first time they have valued the property they completed a full valuation and we hope in future years we can reduce this to a briefer desktop update annually. It is pleasing to see the updated valuation has increased by $1,740,000 to $10,040,000. This does not include the 310,000 Fonterra Shares, valued at $6.37 per share at the end of the financial year, approximately $1.97m.

Capital expenses for the year included the purchase of a new Teat-Wand Sprayer unit at a cost of $4,913 and a second milk filter which cost $6,564. In September 2013 we traded in the old Claas Mower and Leo took charge of a new Krone mower at a cost of $22,522 after trade in.

Major expenditure incurred for the year on farm repairs and maintenance included work on the tracks and lanes costing $13,874 and repairs to the cow shed of $8,160. These repairs included replacing leaking roofing iron, installing new window flashings, insulating and re-battening the ceiling in the cow shed.

I would like to thank our Directors Jeff Whitlock and Stephen Barr and our consultant, Jack Ballam for their contributions over the past year. Particular thanks go to Leo and Maricel, our sharemilkers for their record beating production on far this year. Well done.

Farm Update – Current Season

The new season got off to a very promising start. The weather for June and July was unusually mild and dry for Southland and enabled us to commence the season in a strong feed position. The weather deteriorated in August however, the farm avoided the worst of the rain and snow and remains well set up for the season. There is plenty of feed on the farm and the cows are generally in excellent condition. Jack Ballam, our farm consultant, maintains Coldstream Downs is by far in the best situation of all the farms in the area for this time of year.

The production forecast for the 2014-2015 season has been set at 303,000 kg/ms. Month to date production is 1.7% less than in September last year. The year to date production is down 3%. Leo is hopeful that we can pick this up and still reach the 303,000 kg/ms season forecast. Jack Ballam is confident we can achieve a similar production to last year, given we are in such a strong feed position.

On 24th September, Fonterra announced a reduced forecast Farmgate Milk Price for the 2014/15 season from $6.00 to $5.30 per kg/ms, and increased and widened the estimated dividend range from 20-25 cents per share to 25-35 cents – amounting to a forecast Cash Payout of $5.55-$5.65 for the current season.

This is due to global supply and demand conditions continuing to put downward pressure on pricing. This has been further impacted by Russia's ban on dairy products from a number of significant exporting countries. This surplus volume, coupled with the continuation of muted demand, as well as a stubbornly high exchange rate has put considerable further pressure on the full season outlook.

This is disappointing news, especially since the last revision to $6 was also a significant drop. We are therefore adjusting our budgets and reviewing the farm expenditure accordingly with a view to reducing costs and delaying expenditure that is not urgent.Coldstream is in a good position to remain cashflow positive, even given the reduced payout forecast.

You may have seen or read recently about cows in Southland suffering ill health or mortality from grazing HT (herbicide tolerant) swedes and been wondering whether Coldstream Downs has been affected by this.

Fortunately the cows have been grazing on kale and not swedes so the problem has not affected animal health on the farm at all.

We are pleased Leo &Maricel have made the decision to stay with us for another season. They will make the decision as to whether they will stay on for a further season by the end of the year.

Many investors have enjoyed our biennial farm visits organised in previous years. We plan to organise another farm visit for 2015 and will provide more details at a later date.

I would like to advise you all the Annual General Meeting for Coldstream Downs Limited will be held 12.15pm on Thursday 23rd October, at the Sunderland Room at the Wellington Airport Conference Centre. This is a convenient location for shareholders who are flying in for the meeting. I look forward to seeing you at the AGM.

Regards

RR Dickie – Director
Coldstream Downs Limited

COLDSTREAM DOWNS DAIRY FARM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2014

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

SILKS AUDIT CHARTERED ACCOUNTANTS

Coldstream Downs Dairy Farm Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY, 2014

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 2014 was	1,013,443	1,039,094
Taxation charge for the year was	(370,056)	(46,922)
Dividends Paid & Provided were	-	-
Retained Earnings at 1st June 2013 were	1,581,974	589,802
Retained Earnings at 31 May 2014	$ 2,225,361	$ 1,581,974

It is not proposed to make any transfer to reserves.

The state of the company's affairs at 31st May 2014 was:-

Assets totalled	$ 9,247,239	$ 8,393,008
and were financed by		
Shareholders equity of	6,861,514	6,145,744
and liabilities of	2,385,725	2,247,624
	$ 9,247,239	$ 8,393,008

The Board of Directors present their annual report, including the financial statements of the Company for the year ended 31 May 2014.

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 $4,773. 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 $11,388 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 $13,170 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
26 September 2014

Director
26 September 2014

SILKS AUDIT CHARTERED ACCOUNTANTS

Coldstream Downs Dairy Farm Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY, 2014

	Notes	GROUP 2014 $	PARENT 2014 $	GROUP 2013 $	PARENT 2013 $
Operating Revenue	4	3,135,817	-	1,697,579	
Revaluation of Investments - Fonterra	18	(318,370)		861,800	
Revaluation of Investments - Other		8,042	-	7,715	-
		2,825,489	-	2,567,094	-
Operating Expenditure	5	1,711,858	-	1,408,826	-
Interest & Finance Charges		100,188	-	119,174	-
		1,812,046	-	1,528,000	-
Operating Surplus (Deficit) before Tax		1,013,443	-	1,039,094	-
Income Tax Expense	6	370,056	-	46,922	-
Operating Surplus (Deficit) after Taxation		643,387	-	992,172	-
Attributable to Owners of the parent company		556,676	-	1,002,551	-
Attributable to Minorities		86,711		(10,379)	
		643,387	-	992,172	-

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2014

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2014 - Group			
Total Comprehensive Income for Year	-	643,387	643,387
Capital Contributed	72,383		72,383
	72,383	643,387	715,770
Less Dividends Paid & Provided		-	-
Total Movement in Equity	72,383	643,387	715,770
Equity at Beginning of Year	4,563,770	1,581,974	6,145,744
Equity at End of Year	4,636,153	2,225,361	6,861,514
31 May 2014 - Attributable to Owners of Parent Company			
Total Comprehensive Income for Year	-	556,676	556,676
Less Dividends Paid & Provided	-	-	-
Total Movement in Equity	-	556,676	556,676
Equity at Beginning of Year	4,400,000	1,528,595	5,928,595
Equity at End of Year	4,400,000	2,085,271	6,485,271
31 May 2014 - Attributable to Minorities			
Total Comprehensive Income for Year		86,711	86,711
Capital Contributed	72,383		72,383
	72,383	86,711	159,094
Less Dividends Paid & Provided		-	-
Total Movement in Equity	72,383	86,711	159,094
Equity at Beginning of Year	163,770	53,379	217,149
Equity at End of Year	236,153	140,090	376,243
31 May 2014 - 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, 2014

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2013 - Group			
Total Comprehensive Income for Year	-	992,172	992,172
Capital Contributed	-		
	-	992,172	992,172
Less Dividends Paid & Provided		-	-
Total Movement in Equity	-	992,172	992,172
Equity at Beginning of Year	4,563,770	589,802	5,153,572
Equity at End of Year	4,563,770	1,581,974	6,145,744
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 FINANCIAL POSITION

AS AT 31 MAY, 2014

		GROUP 2014 $	PARENT 2014 $	GROUP 2013 $	PARENT 2013 $
Current Assets					
Cash and Cash Equivalents	8	455,010	-	163,026	-
Accounts Receivable		997,656	-	365,556	-
Prepayments		7,400	-	16,852	-
Provision for Subsidiary Dividend		-	-	-	-
Cattle on Hand	9	1,955,350	-	1,686,300	-
Loan to Subsidiary			4,173,600		4,173,600
Total Current Assets		3,415,416	4,173,600	2,231,734	4,173,600
Non Current Assets					
Shares in Fonterra	18	1,944,630	-	2,263,000	-
Shares in Sundry Companies		37,435	-	28,373	-
Shares in Subsidiary		-	1	-	1
Property, Plant & Equipment	10	3,849,758	-	3,869,901	-
Total Non-Current Assets		5,831,823	1	6,161,274	1
Total Assets		9,247,239	4,173,601	8,393,008	4,173,601
Current Liabilities					
Provision for Taxation		32,419	-	14,877	-
Current Portion of Term Liabilities	11	288,452	-	274,611	-
GST Payable		67,378	-	49,648	-
Provision for Dividend		-	-	-	-
Accounts Payable		461,965	-	264,840	-
Total Current Liabilities		850,214	-	603,976	-
Non-Current Liabilities					
Deferred Tax	6	413,513	-	231,946	-
Bank of New Zealand Term Loan	11	1,121,998	-	1,411,342	-
Total Non-Current Liabilities		1,535,511	-	1,643,288	-
Equity					
Attributable to Owners of parent company		6,485,271	4,173,601	5,928,595	4,173,601
Attributable to Minorities		376,243	-	217,149	-
		6,861,514	4,173,601	6,145,744	4,173,601
Total Liabilities & Equity		9,247,239	4,173,601	8,393,008	4,173,601

For and on behalf of the board

Director
26 September 2014

Director
26 September 2014

SILKS AUDIT CHARTERED ACCOUNTANTS

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MAY, 2014

	Notes	GROUP 2014 $	PARENT 2014 $	GROUP 2013 $	PARENT 2013 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		2,212,588	-	1,816,790	-
Tax Refunded		-		119,985	
Dividends		70,680	-	110,393	-
Interest		-		1,466	
		2,283,268	-	2,048,634	-
Cash was applied to:					
Operating Expenses		(1,485,238)	-	(1,413,118)	-
Interest Paid		(100,742)	-	(125,986)	-
GST		(5,866)	-	23,998	-
Taxation Paid		(157,930)	-	(133,043)	-
		(1,749,776)	-	(1,648,149)	-
Net cash inflow (outflow) from operating activities	13	533,492	-	400,485	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Fixed Assets		-	-	-	-
Sale of Investments		72,383	-	74	-
		72,383	-	74	-
Cash was applied to:					
Purchase of Subsidiary				-	-
Loan to Subsidiary				-	-
Purchase of Fixed Assets		(37,368)	-	(7,893)	-
Purchase of Investments		(1,020)	-	(1,748)	-
		(38,388)	-	(9,641)	-
Net cash inflow (outflow) from investing activities		33,995	-	(9,567)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Share Capital Subscribed		-	-	-	-
Cash was applied to:					
Dividends Paid		-	-	-	-
Loan Repayment		(275,503)		(264,780)	-
		(275,503)	-	(264,780)	-
Net cash inflow (outflow) from financing activities		(275,503)	-	(264,780)	-
Net increase (decrease) in cash held		291,984	-	126,138	-
Balance at beginning of year		163,026	-	36,888	-
Balance at end of year 31 May 2014		455,010	-	163,026	-

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

FOR THE YEAR ENDED 31 MAY, 2014

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 SA

(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 fair value.

(i) Borrowings

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

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

(j) Revenue

Revenue on sales of goods is recognised when 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 2014	Parent 2014	Group 2013	Parent 2013
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 (2013: 100,000). All shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value.

SILKS AUDIT CHARTERED ACCOUNTANTS

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

FOR THE YEAR ENDED 31 MAY, 2014 (CONT.)

3. Retained Earnings

	Group 2014	Parent 2014	Group 2013	Parent 2013
Balance as at 1 June 2013	1,581,974	(226,399)	589,802	(226,399)
Operating surplus (deficit) attributable to the shareholders of the parent company	556,676	-	1,002,551	-
Operating surplus (deficit) attributable to minorities	86,711	-	(10,379)	-
	2,225,361	(226,399)	1,581,974	(226,399)
Dividends Paid - Shareholders of Parent	-	-	-	-
Dividends Paid - Minorities	-	-	-	-
Balance as at 31 May 2014	2,225,361	(226,399)	1,581,974	(226,399)

4 Operating Revenue

	Group 2014	Parent 2014	Group 2013	Parent 2013
Stock Sales	71,955	-	108,871	-
Less Stock Purchases	27,000	-	25,500	-
	44,955	-	83,371	-
Change in Stock on Hand	269,050	-	(90,050)	-
	314,005	-	(6,679)	-
Milk Proceeds & Other Sales	2,749,655	-	1,590,241	-
Interest & Dividend Income	70,680	-	111,859	-
Other Income	1,477	-	2,158	-
Total Operating Revenue	3,135,817	-	1,697,579	-

5 Operating Expenses

	Group 2014	Parent 2014	Group 2013	Parent 2013
Included in operating expenses are:				
Audit Fees	11,995	-	10,995	-
Depreciation Expense	53,951	-	57,794	-
Loss(Gain) on Disposal of Fixed Assets	3,560	-	-	-
Rental and Operating Expenses	-	-	-	-

6. Taxation

	Group 2014	Parent 2014	Group 2013	Parent 2013
Net profit/(Loss) for the year	1,013,443	-	1,039,094	-
Prima facie income tax at 28%	283,764	-	290,946	-
Add (subtract) taxation effect of permanent differences				
Revaluation of Investments	86,892	-	(243,464)	-
Herd Scheme Value non-taxable adjustment	-	-	-	-
Recognition of tax losses not previously recognised	-	-	-	-
Dividend from Subsidiairy	-	(63,000)	-	-
Imputation Credits Received	(600)	-	(560)	-
Income Tax Expense	370,056	(63,000)	46,922	-
The income tax expense is represented by:				
Current Tax	188,489	-	83,228	-
Deferred Tax	181,567	-	(36,306)	-
Income Tax Expenses	370,056	-	46,922	-

There are no income tax losses and unrecognised timing differences carried forward (2013:Nil) for set-off against future assessable income subject to Inland Revenue Department Assessment.

7. Imputation Credit Account

	Group 2014	Parent 2014	Group 2013	Parent 2013
Balance as at 1 June 2013	279,525	-	265,713	-
Tax Refunded	(28,464)	-	(121,334)	-
Tax Paid	170,605	-	134,368	-
Imputation Credits Received	834	-	778	-
Imputation Credits attached to Dividends Paid	-	-	-	-
Balance as at 31 May 2014	422,500	-	279,525	-

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2014 (CONT.)

8. Cash and Cash Equivalents

	Group 2014	Parent 2014	Group 2013	Parent 2013
Bank of New Zealand Cheque Accounts	455,010	-	163,026	-
Bank of New Zealand Call Accounts	-	-	-	-
Balance as at 31 May 2014	455,010	-	163,026	-

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 2014	Parent 2014	No.	Group 2013	Parent 2013
R1 Heifers	228	228,000	-	235	211,500	-
R2 Heifers and Mixed Age Cows	913	1,727,350	-	855	1,474,800	-
						-
	1,141	1,955,350	-	1,090	1,686,300	-

Stock is stated at market value as at 31 May 2013 based on a valuation by Progressive Livestock Southland Ltd, Timaru, dated 20 May 2014. Progressive Livestock Southland Ltd are independent specialist dairy livestock agents.

Reconciliation of Numbers:	No.	$	No.	$
Opening Stock	1090	1,776,350	1072	1,776,350
Purchases	15	27,000	15	25,500
Sales	-569	(71,955)	-619	(108,871)
Increase/decrease in values of cattle		223,955		(6,679)
Natural Increase	690	0	671	0
Deaths & Missing	-85	0	-49	0
Closing Stock	1141	1,955,350	1090	1,686,300

10. Property, Plant & Equipment

	Land	Buildings	Development Expenditure	Plant & Equipment	Motor Vehicles	Total
1 June 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
Additions			3,004	40,414		43,418
Disposals	-	-	-	(6,050)	-	(6,050)
	2,888,612	578,356	160,981	205,454	73,866	3,907,269
Depreciation	-	8,758	9,485	26,106	9,602	53,951
Loss/(Gain) on Sale	-	-	-	3,560	-	3,560
Net Book Value	2,888,612	569,598	151,496	175,788	64,264	3,849,758
31 May 2014:						
Cost Price	2,888,612	716,317	201,022	366,013	111,251	4,283,215
Accumulated Depreciation	-	(146,719)	(49,526)	(190,225)	(46,987)	(433,457)
Net Book Value	2,888,612	569,598	151,496	175,788	64,264	3,849,758
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

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

FOR THE YEAR ENDED 31 MAY, 2014 (CONT.)

11. Non Current Liabilities

	Group 2014	Parent 2014	Group 2013	Parent 2013
B N Z Term Loan - Current	288,452	-	274,611	-
B N Z Term Loan - Term	1,121,998	-	1,411,342	-
	1,410,450	-	1,685,953	-
Repayable as follows:				
Less than 1 Year	288,452	-	274,611	-
Between 1 - 2 Years	305,714	-	290,221	-
Between 2 - 5 Years	759,652	-	973,443	-
Greater than 5 years	56,632	-	147,678	-
	1,410,450	-	1,685,953	-

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 $987,896 (2013: $356,871) 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 (2013: Nil) of this has been borrowed by the Company.

Liquidity Forecasts

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

Interest Rate Risk

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

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, 2014 (CONT.)

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

	Group 2014	Parent 2014	Group 2013	Parent 2013
Net Surplus/(Deficit) after tax for the year	643,387	-	992,172	-
Add (less) non cash items:-				
- Revaluation of Investments	310,328	-	(869,515)	-
- Depreciation	53,951		57,794	
- Loss on Sale of Fixed Assets	3,560	-	-	-
	1,011,226	-	180,451	-
Add (less) movement in other working capital items:				
Increase (decrease) in accounts payable	197,125	-	(49,443)	-
(Increase) decrease in livestock on hand	(269,050)	-	90,050	-
(Increase) decrease in accounts receivable	(632,100)	-	119,318	-
(Increase) decrease in prepayments	9,452	-	5,298	-
Increase (decrease) in GST payable	17,730	-	20,948	-
Increase (decrease) in Taxation Payable	17,542	-	70,169	-
Increase (decrease) in Deferred Tax payable	181,567	-	(36,306)	-
Net cash inflow (outflow) from operating activities	533,492	-	400,485	-

14. Contingent Liabilities

The Company has no significant Contingent Liabilities that the board is aware of. (2013: NIL)

15. Capital Commitments

At 31 May 2014 there was no capital commitments. (2013:$NIL)

16. Events After Balance Date

In November 2014 the parent company intends to pay a dividend of $225,000, Coldstream Downs Limited a dividend of $225,000, and Coldstream Downs Sharemilking Ltd a dividend of $97,500.
The forecast milk pay out from Fonterra for the 2014/15 season is currently at $5.30 per kgMS down from last years actual pay out of $8.40.
There were no other significant events occurring after balance date.

17. Investment in Subsidiaries

	2014	2013	Business
Coldstream Downs Limited	100%	100%	Dairy Farming
Coldstream Downs Sharemilking Limited	80%	85%	Sharemilking

The Company owns 100 ordinary shares in Coldstream Downs Limited (unpaid), and Coldstream Downs Limited owns 80% (2013: 85%) of Coldstream Downs Sharemilking Limited

18. Investment in Fonterra Co-operative Group Limited

	2014 No.	2014 $	2013 No.	2013 $
Shares held at 1 June 2013	310,000	2,263,000	310,000	1,401,200
1:40 Bonus Issue	7,750			
Shares redeemed re 2012 Season	-	-	-	-
Shares Purchased re 2012 Season	-	-	-	-
Revaluation of Shares	-	(318,370)	-	861,800
Shares held at 31 May 2014	317,750	1,944,630	310,000	2,263,000

19. Related Party Transactions

a) The subsidiaries paid administration fees of $11,388 (2013 $19,133) to Roger Dickie (NZ) Ltd, in which Roger Dickie, a director, has a controlling interest. The amount owing at balance date was $1,184 (2013: $1,248)

b) Accounting Services amounting to $13,170 (2013 $12,430) 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 nil (2013: nil)

c) Directors Fees were paid to S J Barr amounting to $4,773 (2013: $3,334) The amount owing at balance date was nil (2013: nil)

d) The sharemilking company paid a total of $424,022 (2013: $336,183) to Gaucho Farms Limited, the Variable Order Share Milker, for expense allowance, calf rearing and percentage of milk proceeds. The amount owing at balance date was $48,080 (2013: $45,758)

Gaucho Farms Limited owns the remaining 20% (2013: 15%) of Coldstream Downs Sharemilking Limited not owned by the group.

As the sharemilker, Gaucho Farms Limited is entitled to a standard fixed expense allowance monthly of $18,438, payment for calf rearing and 6.75% of the total milk proceeds

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

SILKS AUDIT CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS REPORT

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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 2014, 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 2014:

- 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 2014 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 2014:

(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: 26 September 2014

CHARTERED ACCOUNTANTS

Principals: Cameron Town, Talia Anderson-Town. Consultant: David Fraser

Whanganui Taranaki Manawatu Central Plateau Auckland