Coldstream Downs Dairy Farm Limited

ANNUAL REPORT 2014/2015

ROGER DICKIE
NEW ZEALAND

TABLE OF CONTENTS

DIRECTORS ANNUAL REPORT

23rd September 2015

The final production for the 2014/2015 season was 300,458 kgMS achieved by our variable order sharemilkers Leo and Maricel Pekar. This was down 7.6% on the previous season's production of 325,183 kgMS, this can be directly linked to the extremely wet weather conditions for the first part of the season. Leo and Maricel finished the season off with good production in the second half of the season.

I would like to take this opportunity to thank our sharemilkers Leo and Maricel for their hard work this season. Leo and Maricel decided to move on, having found themselves a 50/50 sharemilking position. This is the next chapter in their step towards farm ownership. We are all most appreciative of the efforts made by Leo and Maricel to improve the value of our asset over the last seven seasons and wish them well for their future endeavours.

With the departure of Leo and Maricel, it has been decided to move back to a Variable Order Sharemilker (VOSM) for Coldstream. This has meant that the stock and plant owned by the Sharemilking Company (SMC) have been purchased by Coldstream Downs Dairy Farm Limited and the sharemilking business has been put on hold for any future opportunities. I would remind you that we formed the SMC so that we could sell some shares in it to the VOSM to incentivise them to stay with us. That goal was achieved with Leo and Maricel. We will look at doing the same again with another VOSM if we have the view that they can bring long term value to the Coldstream operation.

The 2014/2015 forecast payout announced by Fonterra was $4.40/kgMS, considerably down on the original forecast of $7.00, which is only reflecting the current world commodity prices. The final milk payout for the 2014/2015 season will be announced in mid October 2015. We also received dividend payments totalling 15 cents per share for our Fonterra Shares.

As a result of the low payout and the low forecasts for the 2015/2016 season it has been decided by the directors that no dividend will paid to the shareholders. We remain optimistic about the future of the dairy industry. Even though the price downturn has been extreme we take a medium term view of prices and it is interesting to see the major banks are contemplating $4.25 to $5.00 for the current season (up from the $3.85 forecast) and $6.00 for the following season.

As at balance date, the term loan had a balance of $816,339, and the interest rate for the term loan was 6.12%. In the last financial year $236,754 of principal was repaid

A valuation of all land and buildings and stock were completed by Logan Stone Limited and Progressive Livestock Limited for the financial year and summary documents are included in this annual report. Coldstream was given a total value of $12,936,427. This was made up of land and buildings of $9,710,000, Fonterra Shares, of which we hold 317,750 and were valued at $4.83 each at the end of the financial year, totalling $1,534,732 in value and all stock for the operation at $1,691,695.

The share value for Coldstream from the current accounts gives a net asset backing value of $2.62 per share. There were no shares traded in the last financial year.

The total capital expenditure for the year was $31,578. This comprised of a Teatwand 400 System and Automatic Sprayer at $16,970, Chou Cutter at $800 and Deck Ports for the milking platform at $13,808.

Repairs and maintenance for the season totalled $87,835. The major expenditures in this area were for cowshed maintenance of $22,871, repairing and maintaining the farms drainage of $13,429 and maintenance on the effluent system of $10,921.

2015 also saw another successful farm visit for our shareholders in March 2015. We had a great turnout and have received good feedback from those that attended. The farm visits are an excellent opportunity for everyone to see the farms first-hand and meet our wonderful sharemilkers and see what a great job they are doing.

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

Farm Update – Current Season

We would like to welcome Jason Checketts as our new VOSM for the season. Jason is a young and progressive Southland man and has impressed both Jack Ballam and myself with his potential to take Coldstream to the next level.

2015/2016 VOSM Jason Checketts

The production forecast for the 2015/2016 season has been set at 305,000 kgMS. The season to date has had a difficult start, which can be attributed to the very wet conditions this spring. These conditions have meant grass growth has been extremely slow and meant for lower quality feed for the cows. However, with a bit more sunshine and grass growth, we are still aiming to meet our production target.

For the 2015/2016, Fonterra has forecast a milk price of $3.85/kgMS and are forecasting a dividend between 20 and 30 cents. In light of this payout we continue to work with our sharemilkers to minimise all costs where possible, without impacting on production. All non-essential expenditure on such things as repairs and maintenance and capital purchases have been put on hold as we work through these trying times.

In a move to minimise the impact on the farm business the directors have agreed to stop principal payments for the 2015/2016 season and move to interest only repayments. We have also re-negotiated new interest rates for the loan of 4.62% floating. Though there is an overdraft facility available to Coldstream at an interest rate of 7.70%, the directors have resolved to operate at a zero balance and take advantage of the more favourable term loan interest rate, by drawing down from the available funds.

2015/2016 season continues to be challenging, as the current milk price is still affected by worldwide commodity prices. The last few Global Dairy Trades have shown promising signs that we are in the early stages of recovery, however the long term forecast for dairy industry is still very strong. As mentioned above the indications from industry analysts and banks is that the payout forecast will be revised up to $4.50 – 5.00/kgMS.

I look forward to seeing you at the AGM.

Kind Regards

RR Dickie
Director
Coldstream Downs Dairy Farm Limited

VOSM ANNUAL REVIEW – Leo & Maricel Pekar

Leo Pekar

The season started with the most challenging springs we have ever had with really wet conditions from late July till early December. There was a brief break in September for a few weeks. Then as soon as the rain stopped in December, the wind started blowing. This dried the farm right out creating a drought from late December (3 weeks after the last rain) until February. Production as a result of this testing weather fell 7%, compared to our record season last year.

STOCK

For next season we have 865 cows to calve (incl. 189 heifers). We are also rearing 224 calves. With animal health we have made great progress on mastitis history. This is because we installed a new teat spraying wand which provides better application and coverage for the cows. Because of this, the Somatic cell count (which is a measure of mastitis) dropped drastically with only 11% of the herd treated for mastitis. From our local Vetclub, this is the lowest on record for all their clients which we are very happy about. In other animal health BVD has dropped to low levels. Johnes disease still is a problem, causing 1% mortality or culling.

FEED

The average grass cover towards the end of the season was 2200kg of dry matter per hectare, this was just behind target with Jacks (the farm consultants) report. We are dried off 40 of the lightest cows and some low producers to help the grass situation, which meant, we left the farm in a good starting position for next season. This slightly lower growth meant we didn't quite make as much silage as we would have liked, but we are still left 130 tonnes of silage for spring.

We have had our crop measured and it is showing 14 tonnes of dry matter per hectare. It has been

a great growing season for crops, the local area and much of Southland are producing some of the highest yielding crops we've seen. This additional crop cover should leave plenty of feed for the cows to eat over the winter.

FERTILISER

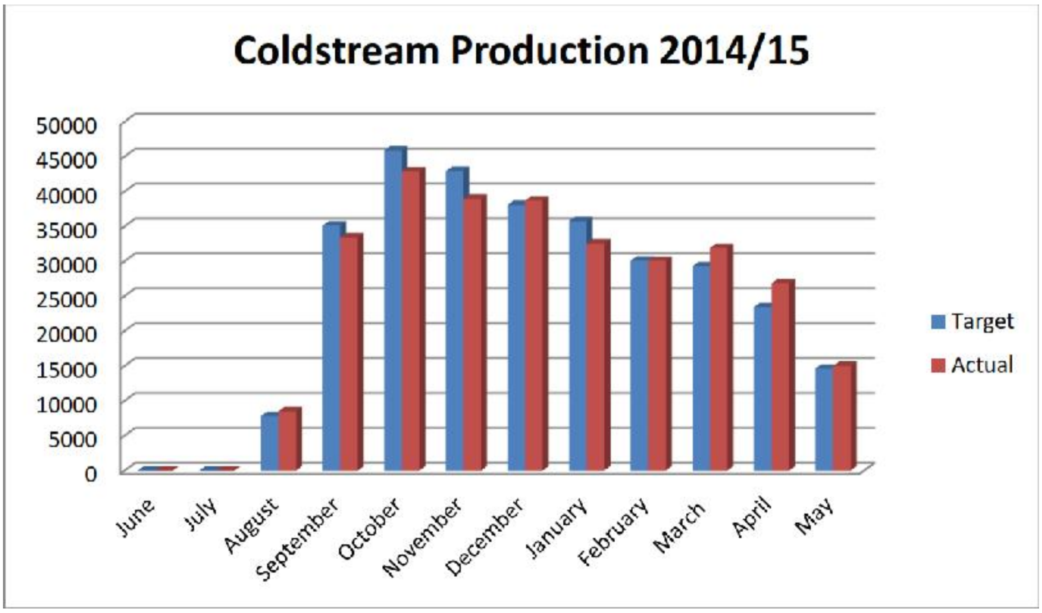
This season in a bid to save costs we individually soil tested every paddock on the farm. This was to ensure that the fertiliser was allocated as efficiently as possible. Fertiliser was applied at the recommended rates.

MATING

Mating has gone very well. Without any intervention we have had an 87% 3 week submission rate. This means we should have a good quick calving, with mid calving expecting to take 18 days. The empty rate is 6.5%. All the cows being wintered were identified by calving date. Cows were then dried off based on their calving date and treated with an antibiotic.

PRODUCTION

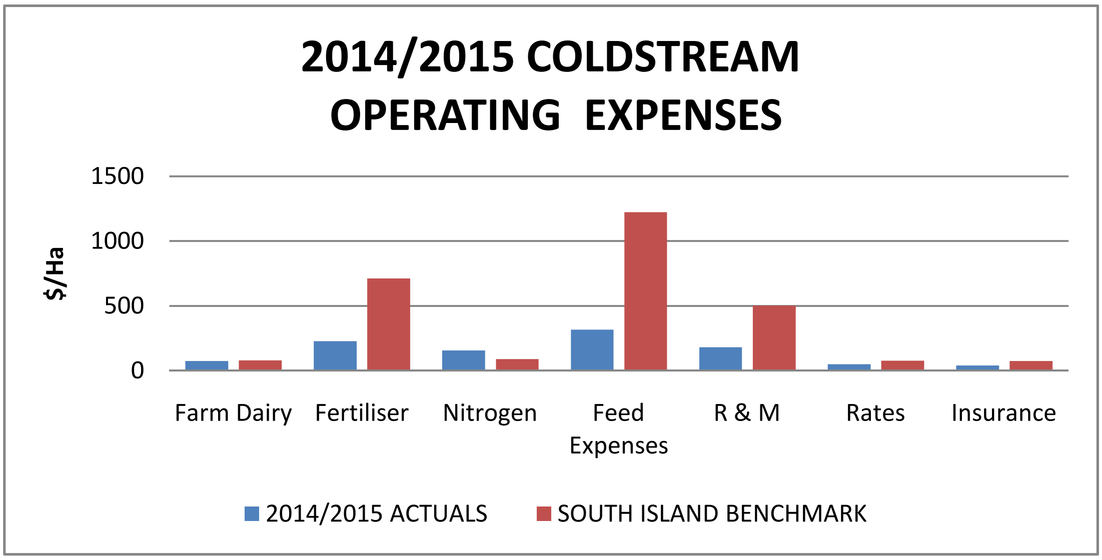
After last season's record production we'll end up doing our second best production this year. Total Milk solids should end up just less than 300,000kg. After a rough start with poor utilization, cows and farm have shown improvements by bouncing back and holding production when under pressure.



SUMMARY

It has been a great autumn after a pretty shaky start of the season weather wise. It has not been cold and we are getting good growths.

We feel the farm is well set up for the next season and wish Jason all the best for the future. Thank you to all our shareholders for the opportunity to manage Coldstream Downs for the last seven years.



2015 SHAREHOLDER FARM VISIT

March 23rd 2015 saw 12 shareholders and their partner's visit Coldstream Downs farm as part of our bi-annual shareholder farm visits.

This was a great opportunity for our shareholders to get the opportunity to see their investment and meet our VOSM's.

Leo and Maricel gave everyone a tour of the cowshed and farm. The feedback we had from those that visited was very positive and they all were impressed with the condition of the farm and dairy herd.

Shareholders visit - discussing milking shed operations

ROGER DICKIE NEW ZEALAND UPDATE

Farm Administrator

In mid August we saw Kate Murdoch start as our new Farm Administrator. Her role will include farm manager support, reporting and farm budgeting.

Kate, her husband Aaron and three children are dairy farming in an equity partnership near Patea, South Taranaki. Having worked their way through the many tiers of the Dairy Industry to farm ownership has meant Kate brings a broad understanding of the industry to her new role.

Kate has an event management and organisational background and we are excited to be getting her expertise and farming knowledge behind our investment farms.

Kate is also very involved with her local community, which includes holding a Governing Board position for Kindergarten Taranaki, vice-president of the local playgroup and teaches swimming to local children in Kakaramea.

INDUSTRY UPDATE

GlobalDairyTrade prices lifted sharply at the 15 September auction. The 16.5% lift in the GDT PriceIndex was the largest price increase recorded in the past five years. Whole milk powder (WMP) prices increased the most, with the WMP Price Index gaining 20.6%.

The price increases were greater than expected, although ahead of the auction there was definitely a stronger sense that prices would firm than was seen at the previous two auctions.

The NZX Dairy Derivatives markets predicted a 15% lift in Fonterra's Regular Grade WMP for November delivery but the price for this contract actually increased 25%.

NZX WMP May 2016 Futures prices are 11% higher than current GDT prices. This increase in prices is factored into the AgriHQ 2015-16 Farmgate Milk Price which now sits at $4.65/kgMS.

The likelihood that Fonterra will revise up its milk price forecast for the current season is increasing but we are cautious as underlying demand for dairy products is still weak.

In the past few weeks there has been a lot of talk in the market about El Nino and the implications this will have on NZ milk production.

Fonterra has held its milk production forecast at -2 to -3% but others are forecasting a larger reduction in milk output. NIWA are absolutely sure that El Nino conditions will be present from September to November, and forecast that it is extremely likely (above 90% chance) El Nino conditions will persist into summer.

It is not a certainty that even if El Nino conditions are present that a dry summer will occur but the likelihood of it occurring has been heightened.

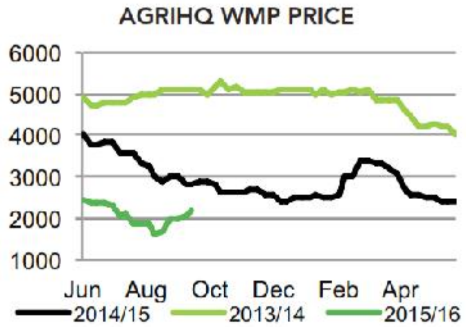
Milk Price Forecast ($/kgMS)

2015-16 AGRIHQ	2015-16 FONTERRA
4.65	3.85

GDT results

	Latest Average of WMP	Change vs previous	Change vs year ago
WMP	2500	↑ 20%	↓ -7%
SMP	1990	↑ 17%	↓ -24%
AMF	3440	↑ 14%	↑ 5%
Butter	3110	↑ 13%	↑ 15%
Cheddar	3210	↑ 10%	↑ 4%
Casein	5810	↑ 0%	↓ -30%
Average	2570	↑ 15%	↓ -8%

*Based on prices for all GDT sellers for all contract periods. Source: GlobalDairyTrade



Share prices

	Latest 15/09/2015	Change vs previous	Change vs year ago
FCG	4.94	↑ 1%	↓ -21%
FSF	4.95	↑ 2%	↓ -21%
SML	2.37	↓ -1%	↓ -27%
LIC	3.70	↓ -24%	↓ -38%
ATM	0.72	↑ 1%	↑ 18%
PGW	0.40	↓ -1%	↓ -5%

FCG=Fonterra Cooperative Group, FSF=Fonterra Shareholders' Fund, SML=Synlait Milk, LIC=Livestock Improvement Corporation, ATM=a2 Milk Company, PGW=PGG Wrightson

Buyers are aware that a drought in NZ would most likely result in a lift in prices, particularly for WMP and anhydrous milkfat – products for which NZ is the largest supplier.

Skim milk powder (SMP) prices also firmed on GDT but not to the extent WMP did. Some product did trade above European Union intervention levels. Just 14,605 tonne of SMP has been placed into intervention so far as some European sellers prefer to hold onto product themselves in the hope prices will rise.

Source: AgriHQ Farmgate Dairy – 16 September 2015

1741 Waimea Valley Road
SOUTHLAND

Market Valuation prepared for:

Roger Dickie New Zealand Limited
P O Box 43
WAVERLEY 4544

Attention: Ian Tretheway

As at 31 May 2015

LOGANSTONE
PROPERTY ▪ INFRASTRUCTURE ▪ VALUATION

EXECUTIVE SUMMARY

Property Address:	1741 Waimea Valley Road, Southland
Brief Description:	An estate in fee simple 349.9645 hectare dairy milking platform situated in the Nine Mile district of Northern Southland which has been converted some 14 years. Currently milking approximately 800 cows and producing circa 303,000 kg milk solids last season. From a dairying perspective location is regarded as fair. Climate is suited for seasonal supply dairy land use although summer dry spells are common. The land is mostly of undulating to rolling contour with predominantly deep soils showing good fertility levels. Overall layout is good being well subdivided into 50 paddocks, reticulated water supply and well raced. Housing includes three good quality dwellings with a further dwelling being warranted. The milking shed is of good capacity and condition. There are adequate supporting farm buildings. Overall a medium quality dairy platform due to location being tidily presented and achieving slightly below Southland average production based on a low supplement import system. We estimate average efficient production to be 314,000 kilograms of milk solids (1003 kg ms / effective ha).
Instructing Party:	Ian Tretheway
Registered Proprietor:	Coldstream Downs Limited
Purpose of Report:	To assess the market value for financial reporting purposes.
Reliant Parties:	Roger Dickie - Roger Dickie New Zealand Limited
Date of Inspection:	4 May 2015
Date of Valuation:	31 May 2015
Interest Valued:	Freehold land and improvements, household and farm chattels, milking shed and effluent plant and equipment (excludes Fonterra shares and supplements on hand)
Key Assumptions:	The key assumptions are based on the transactions that have occurred in Southland for dairy farming properties over recent times. The valuation is based on a willing seller/willing buyer concept with a marketing window of three to four months. We refer you to our full valuation report attached to this executive summary.
Factors influencing value:	Location, production, climate, one dwelling short, water supply.

Land Value Assessments:	$7,690,000
Residential Improvements:	$461,000
Productive Buildings:	$834,000
Other Improvements:	$545,000
Household & Farm Chattels:	$20,000
Milking & Effluent Plant and Equipment:	$160,000
Market Value:	$9,710,000
Valuer:	Grant Barron, Registered Valuer B Com (Ag) VFM, MBA, ANZIV, MPINZ
Reviewed by:	Jay Sorensen, Registered Valuer B Appl Sc (Rural Val) Agr Bus, MPINZ, ANZIV

PROGRESSIVE LIVESTOCK LTD

DAIRY & BEEF
LIVESTOCK AGENTS

14th May 2015

Cameron Town
The Engagement Partner
Silks Audit Chartered Accountants
PO Box 7144
Wanganui 4541

Dear Cameron

LIVESTOCK COUNT AND VALUATION

We confirm that we have attended to the count and the valuation of the Livestock held by *Coldstream Downs Sharemilking Limited* as at 31/05/2015.

We confirm that we understand that this information will be used in the preparation of the Farms annual financial statements.

We can confirm the following:

Livestock Class	Verified Units on Hand	Price Per Head - $	Total Value of class - $
3-8 year old F & FX incalf dairy cows	588	$1950+ GST	$1146600+ GST
9 year old plus F & FX incalf dairy cows	48	$800+ GST	$38400+ GST
Mixed age budget F & FX incalf dairy cows (inc 3 titters)	19	$800+ GST	$15200+ GST
Young empty F & FX cows to carry over	17	$650 + GST	$11050+ GST
Incalf Carry Over cows	21	$1225 + GST	$25725 + GST

Herd BW 108
PW 135
85% RA

Livestock Class	Verified Units on Hand	Price Per Head - $	Total Value of class - $
F & FX incalf dairy heifers	189	$1600+ GST	$302400+ GST

BW 158
PW 175

Livestock Class	Verified Units on Hand	Price Per Head - $	Total Value of class - $
F & FX empty rising 1 year dairy heifers	224	$680+ GST	$152320+ GST

BW 154
PW 161

Total $1,691,695
+ GST $1,925,449.25

We confirm that we have counted and verified the units held as above.
We confirm that the value per head above is the current market value.
We confirm that the stock appeared to be in reasonable condition and health.

The challenging season has seen a significant drop in the cow market this year for various reasons. The continuing improvements of herd records and animal health has resulted in the Coldstream Downs milking herd being at the better end of seasonal values.

We confirm that we are independent of the Farm, Farm Manager and the Trustees/Owners of the Farm.

We acknowledge that Silks Audit Chartered Accountants, as auditor of the farm, will be relying on our considerations and opinions expressed in the report.

Yours sincerely

Burke Patching
Progressive Livestock Ltd

Dairy Livestock Agent

COLDSTREAM DOWNS DAIRY FARM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2015

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, 2015

The business of the company through its subsidiaries Coldstream Downs Ltd and Coldstream Downs Sharemilking Ltd is dairy farming.

	THIS YEAR	LAST YEAR
The operating surplus (deficit) of the company for the year ended 31st May 2015 was	(684,063)	1,013,443
Taxation charge for the year was	74,293	(370,056)
Dividends Paid & Provided were	(244,500)	-
Retained Earnings at 1st June 2014 were	2,225,361	1,581,974
Retained Earnings at 31 May 2015	$ 1,371,091	$ 2,225,361

It is not proposed to make any transfer to reserves.

The state of the company's affairs at 31st May 2015 was:-

Assets totalled	$ 7,582,216	$ 9,247,239
and were financed by		
Shareholders equity of	6,007,244	6,861,514
and liabilities of	1,574,972	2,385,725
	$ 7,582,216	$ 9,247,239

The Board of Directors present their annual report, including the financial statements of the Company for the year ended 31 May 2015.

Directors interests:

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

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

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

Administration Services amounting to $33,206 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 $14,305 were provided to the Group by Markhams Waverley Ltd in which Jeff Whitlock, a director, is also a director. The services were provided on normal commercial terms.

No directors fees were paid 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
18 September 2015

Director
18 September 2015

SILKS AUDIT CHARTERED ACCOUNTANTS

Coldstream Downs Dairy Farm Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY, 2015

	Notes	GROUP 2015 $	PARENT 2015 $	GROUP 2014 $	PARENT 2014 $
Operating Revenue					
Stock Proceeds		274,741	-	71,955	-
Less Stock Purchases		(19,500)	-	(27,000)	-
Change in Livestock Values		(263,655)	-	269,050	-
Gross Income from Livestock		(8,414)	-	314,005	-
Milk Proceeds		1,327,571	-	2,749,655	-
Dividends Received		50,675	225,000	70,680	-
Interest Received		809	-	-	-
Sundry Revenue		1,968	-	1,477	-
		1,372,609	225,000	3,135,817	-
Operating Expenses					
Rates & Insurance		31,269	-	30,549	-
Interest & Finance Charges		82,234	-	100,188	-
Animal Health		69,133	-	85,536	-
Audit Fees		12,495	-	11,995	-
Directors Fees			-	4,773	-
Feed, Hay & Silage		187,343	-	243,151	-
Grazing Fees		435,099	-	419,060	-
Sharemilker Payments		318,123	-	424,022	-
Other Farm Working Expenses		174,504	-	157,803	-
Pasture Maintenance		178,738	-	206,027	-
Repairs & Maintenance		87,835	-	71,431	-
Depreciation	8	59,677	-	57,511	-
Revaluation of Investments - Fonterra	16	409,897	-	318,370	-
Revaluation of Investments - Other		10,325	-	(8,042)	-
		2,056,672	-	2,122,374	-
Operating Surplus (Deficit) before Tax		(684,063)	225,000	1,013,443	-
Income Tax Expense	4	(74,293)		370,056	-
Operating Surplus (Deficit) after Taxation		(609,770)	225,000	643,387	
Other Comprehensive Income		-	-	-	
Total Comprehensive Income		(609,770)	225,000	643,387	-
Attributable to Owners of the parent company		(573,350)	225,000	556,676	-
Attributable to Minorities		(36,420)	-	86,711	-
		(609,770)	225,000	643,387	-

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

Coldstream Downs Dairy Farm Limited

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2015

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2015 - Group			
Total Comprehensive Income for Year	-	(609,770)	(609,770)
Capital Contributed	-	-	-
	-	(609,770)	(609,770)
Less Dividends Paid & Provided	-	244,500	244,500
Total Movement in Equity	-	(854,270)	(854,270)
Equity at Beginning of Year	4,636,153	2,225,361	6,861,514
Equity at End of Year	4,636,153	1,371,091	6,007,244
31 May 2015 - Attributable to Owners of Parent Company			
Total Comprehensive Income for Year	-	(573,350)	(573,350)
Less Dividends Paid & Provided	-	225,000	225,000
Total Movement in Equity	-	(798,350)	(798,350)
Equity at Beginning of Year	4,400,000	2,085,271	6,485,271
Equity at End of Year	4,400,000	1,286,921	5,686,921
31 May 2015 - Attributable to Minorities			
Total Comprehensive Income for Year	-	(36,420)	(36,420)
Capital Contributed	-	-	-
	-	(36,420)	(36,420)
Less Dividends Paid & Provided	-	19,500	19,500
Total Movement in Equity	-	(55,920)	(55,920)
Equity at Beginning of Year	236,153	140,090	376,243
Equity at End of Year	236,153	84,170	320,323
31 May 2015 - 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

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

SILKS AUDIT CHARTERED ACCOUNTANTS

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MAY, 2015

	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

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

SILKS AUDIT CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2015

		GROUP 2015	PARENT 2015	GROUP 2014	PARENT 2014
		$	$	$	$
Current Assets					
Cash and Cash Equivalents	6	189,048	-	455,010	-
Accounts Receivable		128,007	-	997,656	-
Feed on Hand		25,782	-	7,400	-
Provision for Taxation		1,855	-	-	-
Deposit on Minority's shares in Subsidiary	13, 14	115,000	-	-	-
Cattle on Hand	7	1,691,695	-	1,955,350	-
Loan to Subsidiary			4,173,600		4,173,600
Total Current Assets		2,151,387	4,173,600	3,415,416	4,173,600
Non Current Assets					
Shares in Fonterra	16	1,534,733	-	1,944,630	-
Shares in Sundry Companies		28,241	-	37,435	-
Shares in Subsidiary		-	1	-	1
Property, Plant & Equipment	8	3,867,855	-	3,849,758	-
Total Non-Current Assets		5,430,829	1	5,831,823	1
Total Assets		7,582,216	4,173,601	9,247,239	4,173,601
Current Liabilities					
Provision for Taxation		-	-	32,419	-
Current Portion of Term Liabilities	9	306,369	-	288,452	-
GST Payable		7,836	-	67,378	-
Accounts Payable		207,260	-	461,965	-
Total Current Liabilities		521,465	-	850,214	-
Non-Current Liabilities					
Deferred Tax	4	237,168	-	413,513	-
Bank of New Zealand Term Loan	9	816,339	-	1,121,998	-
Total Non-Current Liabilities		1,053,507	-	1,535,511	-
Equity					
Attributable to Owners of parent company		5,686,921	4,173,601	6,485,271	4,173,601
Attributable to Minorities		320,323	-	376,243	-
		6,007,244	4,173,601	6,861,514	4,173,601
Total Liabilities & Equity		7,582,216	4,173,601	9,247,239	4,173,601

For and on behalf of the Board

Director
18 September 2015

Director
18 September 2015

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

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MAY, 2015

	Notes	GROUP 2015 $	PARENT 2015 $	GROUP 2014 $	PARENT 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		2,434,745	-	2,212,588	-
Tax Refunded		-		-	
Dividends		50,675	225,000	70,680	-
Interest		809		-	
		2,486,229	225,000	2,283,268	-
Cash was applied to:					
Operating Expenses		(1,768,444)	-	(1,485,238)	-
Interest Paid		(83,082)	-	(100,742)	-
GST		(32,685)	-	(5,866)	-
Taxation Paid		(141,832)	-	(157,930)	-
		(2,026,043)	-	(1,749,776)	-
Net cash inflow (outflow) from operating activities	11	460,186	225,000	533,492	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of Fixed Assets		10,000	-	-	-
Sale of Investments		-	-	72,383	-
		10,000	-	72,383	-
Cash was applied to:					
Deposit on Minority's shares in Subsidiary		(115,000)	-	-	-
Loan to Subsidiary		-	-	-	-
Purchase of Fixed Assets		(87,774)	-	(37,368)	-
Purchase of Investments		(1,132)	-	(1,020)	-
		(203,906)	-	(38,388)	-
Net cash inflow (outflow) from investing activities		(193,906)	-	33,995	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Share Capital Subscribed		-	-	-	-
Cash was applied to:					
Dividends Paid		(244,500)	(225,000)	-	-
Loan Repayment		(287,742)	-	(275,503)	-
		(532,242)	(225,000)	(275,503)	-
Net cash inflow (outflow) from financing activities		(532,242)	(225,000)	(275,503)	-
Net increase (decrease) in cash held		(265,962)	-	291,984	-
Balance at beginning of year		455,010	-	163,026	-
Balance at end of year 31 May 2015	6	189,048	-	455,010	-

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

SILKS AUDIT CHARTERED ACCOUNTANTS

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2015

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, equipment & Motor Vehicles;

All property plant and equipment is initially recorded at cost.

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

Depreciation is provided for on a Diminishing Value basis on all tangible property, plant and equipment other than freehold land and capital work in progress, at depreciation rates calculated to allocate the assets' cost over their estimated useful lives.

Major Depreciation Periods are:

- Land Development	25 years
- Freehold Buildings	50 years
- Plant, equipment & Motor Vehicles	5 to 15 years

(c) Impairment

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

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 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, except for accounts payable and accounts receivable, which are GST inclusive

(m) Biological Assets

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

(n) Feed on Hand

Feed on Hand has been valued at cost price

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

SILKS AUDIT CHARTERED ACCOUNTANTS

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2015 (CONT.)

2. Issued Shares

	Group 2015	Parent 2015	Group 2014	Parent 2014
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 (2014: 100,000). All shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value.

3. Retained Earnings

	Group 2015	Parent 2015	Group 2014	Parent 2014
Balance as at 1 June 2014	2,225,361	(226,399)	1,581,974	(226,399)
Operating surplus (deficit) attributable to the shareholders of the parent company	(573,350)	225,000	556,676	-
Operating surplus (deficit) attributable to minorities	(36,420)	-	86,711	-
	1,615,591	(1,399)	2,225,361	(226,399)
Dividends Paid - Shareholders of Parent	225,000	225,000	-	-
Dividends Paid - Minorities	19,500	-	-	-
Balance as at 31 May 2015	1,371,091	(226,399)	2,225,361	(226,399)

4. Taxation

	Group 2015	Parent 2015	Group 2014	Parent 2014
Net profit/(Loss) for the year	(684,063)	225,000	1,013,443	-
Prima facie income tax at 28%	(191,538)	63,000	283,764	-
Add (subtract) taxation effect of permanent differences				
Revaluation of Investments	117,662	-	86,892	-
Herd Scheme Value non-taxable adjustment	-	-	-	-
Recognition of tax losses not previously recognised	-	-	-	-
Dividend Received from Subsidiary		(63,000)		
Imputation Credits Received	(418)	-	(600)	-
Income Tax Expense	(74,293)	-	370,056	-
The income tax expense is represented by:				
Current Tax	102,052	-	188,489	-
Deferred Tax	(176,345)	-	181,567	-
Income Tax Expense	(74,293)	-	370,056	-

There are no income tax losses and unrecognised timing differences carried forward (2014:Nil) for set-off against future assessable income subject to Inland Revenue Department Assessment.

5. Imputation Credit Account

	Group 2015	Parent 2015	Group 2014	Parent 2014
Balance as at 1 June 2014	422,500	-	279,525	-
Tax Refunded	(5,877)	-	(28,464)	-
Tax Paid	147,676	-	170,605	-
Imputation Credits Received	578	87,500	834	-
Imputation Credits attached to Dividends Paid	(95,083)	(87,500)	-	-
Balance as at 31 May 2015	469,794	-	422,500	-

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2015 (CONT.)

6. Cash and Cash Equivalents

	Group 2015	Parent 2015	Group 2014	Parent 2014
Bank of New Zealand Cheque Accounts	189,048	-	455,010	-
Bank of New Zealand Call Accounts	-	-	-	-
Balance as at 31 May 2015	189,048	-	455,010	-

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 10.2%
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 10.2%
Coldstream Downs Limited has a General Security Agreement in favour of Coldstream Downs Sharemilking Limited for $5,400,000.

7. Stock on Hand

	No.	Group 2015	Parent 2015	No.	Group 2014	Parent 2014
R1 Heifers	224	152,320	-	228	228,000	-
R2 Heifers and Mixed Age Cows	882	1,539,375	-	913	1,727,350	-
						-
	1,106	1,691,695	-	1,141	1,955,350	-

Stock is stated at market value as at 31 May 2015 based on a valuation by Progressive Livestock Southland Ltd, Timaru, dated 20 May 2015. Progressive Livestock Southland Ltd are independent specialist dairy livestock agents.

Reconciliation of Numbers:	No.	$	No.	$
Opening Stock	1141	1,955,350	1090	1,776,350
Purchases	10	19,500	15	27,000
Sales	-703	-274,741	-569	-71,955
Increase/decrease in values of cattle		-8,414		223,955
Natural Increase	686	0	690	0
Deaths & Missing	-28	0	-85	0
Closing Stock	1106	1,691,695	1141	1,955,350

8. Property, Plant & Equipment

	Land	Buildings	Development Expenditure	Plant & Equipment	Motor Vehicles	Total
1 June 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
Additions			-	87,774		87,774
Disposals	-	-	-	(10,000)	-	(10,000)
	2,888,612	569,598	151,496	253,562	64,264	3,927,532
Depreciation	-	8,505	8,995	37,848	8,355	63,703
Loss/(Gain) on Sale	-	-	-	(4,026)	-	(4,026)
Net Book Value	2,888,612	561,093	142,501	219,740	55,909	3,867,855
31 May 2015:						
Cost Price	2,888,612	716,317	201,022	441,787	111,251	4,358,989
Accumulated Depreciation	-	(155,224)	(58,521)	(222,047)	(55,342)	(491,134)
Net Book Value	2,888,612	561,093	142,501	219,740	55,909	3,867,855
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

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

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2015 (CONT.)

9. Non Current Liabilities

	Group 2015	Parent 2015	Group 2014	Parent 2014
B N Z Term Loan - Current	306,369	-	288,452	-
B N Z Term Loan - Term	816,339	-	1,121,998	-
	1,122,708	-	1,410,450	-
Repayable as follows:				
Less than 1 Year	306,369	-	288,452	-
Between 1 - 2 Years	324,858	-	305,714	-
Between 2 - 5 Years	477,760	-	759,652	-
Greater than 5 years	13,721	-	56,632	-
	1,122,708	-	1,410,450	-

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.

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

c) Since balance date, the loans have been refinanced to purchase the minority interest in the sharemilking company, and are on an interest-only basis

10. Financial Instruments

Credit risk

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

The Issuing Group manages its exposure to credit risk

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

Concentrations of credit risk

Group accounts receivable include $987,896 (2014: $987,896) 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 (2014: 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.

SILKS AUDIT CHARTERED ACCOUNTANTS

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2015 (CONT.)

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

	Group 2015	Parent 2015	Group 2014	Parent 2014
Net Surplus/(Deficit) after tax for the year	(609,770)	225,000	643,387	-
Add (less) non cash items:-				
- Revaluation of Investments	420,222	-	310,328	-
- Depreciation	63,703		53,951	
- (Gain)/Loss on Sale of Fixed Assets	(4,026)	-	3,560	-
	(129,871)	225,000	1,011,226	-
Add (less) movement in other working capital items:				
Increase (decrease) in accounts payable	(254,704)	-	197,125	-
(Increase) decrease in livestock on hand	263,655	-	(269,050)	-
(Increase) decrease in accounts receivable	869,649	-	(632,100)	-
(Increase) decrease in feed on hand	(18,382)	-	9,452	-
Increase (decrease) in GST payable	(59,542)	-	17,730	-
Increase (decrease) in Taxation Payable	(34,274)	-	17,542	-
Increase (decrease) in Deferred Tax payable	(176,345)	-	181,567	-
Net cash inflow (outflow) from operating activities	460,186	225,000	533,492	-

12. Contingent Liabilities & Contingent Assets

At 31 May 2015 the Company has no other significant contingent assets or contingent liabilities. (2014: $Nil)

13. Capital Commitments & Non-Cancellable Operating Leases

The company has agreed to purchase the minority shareholder's shares in the sharemilking company at 1 June 2015. The purchase price is $322,676 which represents a premium of $2,353 on book value which is the difference between the book value of the plant and a valuation from Southland Farm Machinery Limited. At balance date, a deposit of $115,000 had been paid.

At 31 May 2015 there were no other capital commitments and no non-cancellable operating leases. (2014: $Nil)

14. Events After Balance Date

The contract of variable order sharemilker with the sharemilking company expired on 31 May 2015 and was not renewed. The company has purchased the minority interest in the sharemilking company on 1 June 2015 as set out in note 13. The company has then purchased the livestock, plant, equipment and motor vehicles of the sharemilking company, such that after the final accounts receivable are collected and final accounts payable settled, the sharemilking company will be dormant. The new variable order sharemilker's contract is with Coldstream Downs Limited.

The company has been effected by the general downturn in the dairy industry. The budget for the 2015/16 season shows a cash break-even position. Should the industry downturn worsen in the coming months, the company has bank facilities in place to meet working capital requirements

There were no significant events occurring after balance date.

15. Investment in Subsidiaries

	2015	2014	Business
Coldstream Downs Limited	100%	100%	Dairy Farming
Coldstream Downs Sharemilking Limited	80%	80%	Sharemilking

The Company owns 100 ordinary shares in Coldstream Downs Limited (unpaid), and Coldstream Downs Limited owns 80% (2014: 80%) of Coldstream Downs Sharemilking Limited

16. Investment in Fonterra Co-operative Group Limited

	2015 No.	2015 $	2014 No.	2014 $
Shares held at 1 June 2014	317,750	1,944,630	310,000	2,263,000
1:40 Bonus Issue	-		7,750	
Shares redeemed re 2012 Season	-	-	-	-
Shares Purchased re 2012 Season	-	-	-	-
Revaluation of Shares	-	(409,897)	-	(318,370)
Shares held at 31 May 2015	317,750	1,534,733	317,750	1,944,630

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2015 (CONT.)

17. Related Party Transactions

a) The subsidiary paid administration fees of $33,206 (2014: $19,133) to Roger Dickie (NZ) Ltd, in which Roger Dickie, a director, has a controlling interest. This amount includes reimbursement payments to S J Barr, a director, who previously invoiced the company directly (2014: $4,773). The amount owing at balance date was $3,488 (2014; $1,184)

b) Accounting Services amounting to $14,305 (2014 $13,170) 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 (2014: nil)

c) The sharemilking company paid a total of $318,123 (2014: $424,022) 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 $33,972 (2014: $48,080)

Gaucho Farms Limited owns the remaining 20% (2014: 20%) 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

d) Coldstream Downs Limited has an advance from the parent of $4,173,600 (2014: $4,173,600). No interest has been charged on this advance

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

18. Significant Judgements & Uncertainties

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

PO Box 7144
Whanganui 4541
New Zealand

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

INDEPENDENT AUDITORS REPORT

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 14 which comprise the consolidated and separate statement of financial position as at 31 May 2015 and the consolidated and separate statement of financial performance, statement of movements in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards 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 give a true and fair view of the financial position of Coldstream Downs Dairy Farm Limited as at 31 May 2015, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
We also report in accordance with sections 16 (1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 May 2015:

(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.

Restriction on Distribution or Use
This report is made solely to the company's shareholders, as a body, in accordance with section 207B(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 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Silks Audit

Silks Audit
Chartered Accountants
Wanganui, New Zealand

Date: 18 September 2015