**Peter Minty Valuations**
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14 June 2013

**Coldstream Downs Ltd**
**C/- Roger Dickie NZ Ltd**
**PO Box 43**
**Waverley 4544**

**Attn: Richard Bourne / Michelle O'Neill**

Dear: Sir or Madam

**RE: Market Valuation – Coldstream Downs Ltd - Dairy Farm Property, Waimea Valley, Southland.**

As requested, I inspected the property described hereunder on the 12th June 2013, to assess the market value of the dairy farm for financial reporting purposes. My valuation and report follows.

This valuation and report is extended for use by;

David Fraser
Silks Audit / Chartered Accountants
PO Box 7144
Wanganui

- I confirm that this valuation and report on the Coldstream Downs Ltd property may be used for financial reporting purposes, however it may not fully meet the NZPI / NZIV reporting standards for this purpose.

- I confirm that I am not (and do not intend to be) a director, officer or employee of Coldstream Downs Ltd, although I may from time to time be engaged as an independent registered valuer by the company.

- I confirm that I am independent of Roger Dickie NZ Ltd having no pecuniary interests in the company and are not aware of any conflicts of interest.

- I confirm that I am a public valuer holding an annual practising certificate. I hold qualifications in valuation and farm management and have been a registered valuer since 1978. I practice principally in farm valuations with extensive experience in Southland.

**Registered Owners:** Coldstream Downs Limited

**Property address:** 1741 Waimea Valley Road, RD 6 Gore

**Legal Description:** 1) An Estate in Fee Simple containing 94.1223 hectares more or less, being Lot 19 Deposited Plan 502. Certificate of Title Identifier: SL 4A/1035. Interests: See the attached certificate of title.

2) An Estate in Fee Simple containing 169.1586 hectares more or less, being Lot 18 Deposited Plan 502. Certificate of Title Identifier: SL 7D/78 . Interests: See the attached certificate of title.

3) An Estate in Fee Simple containing 86.6836 hectares more or less, being Lot 20 Deposited Plan 502. Certificate of Title Identifier: SL 7D/79. Interests: See the attached certificate of title.

Total Area: 349.9645 hectares.

**Valuation:**

I assess the Market Value of the Land and Buildings, including dairy shed plant and household chattels, but excluding dairy company shares, as at 12th June 2013 at **$8,300,000 (Eight Million Three Hundred Thousand Dollars)**, plus GST if any.

| | |
|---|---|
| Value of Improvements | $1,700,000 |
| Land Value | $6,400,000 |
| **Market Value (Land & Buildings)** | **$8,100,000** |
| Dairy Shed Plant and household chattels (estimated) | $200,000 |
| Fonterra Supply Shares (excluded) | |
| **MARKET VALUE (plus GST if any)** | **$8,300,000** |

Market Value is defined as; - "*the estimated amount for which an asset should exchange for on the date of the valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".*

**Market Evidence & Comment:**

Throughout 2012 and to date the market activity has remained relatively steady with a reasonable number of sales being settled and the market has generally remained firm. While some specific property types (such as additional land) in specific sort after localities have achieved premium prices, properties outside this special interest land remain price sensitive. There has been a good mix of dairy farm sales, but deals are generally still requiring considerable effort to conclude. Dairy support blocks and additional land have been relatively good sellers. Again with locality, quality and suitability being the main price influencing factors. While the initial indicative milk solid price for the 2012/13 season saw a significant drop from the 2011/12 season, it however has been followed by indicative rises from Fonterra to close the gap somewhat, giving a good positive to the dairy farm sector, coupled with the recently announced indicative $7/kgMS for the 2013/14. Agents are reporting increased inquiry, but as yet this has not translated into confirmed sales.

Market Evidence and Comment (cont'd):

There however are not a lot of positives for the sheep and beef sectors, the sales numbers remain relatively low and the current seasons product prices have led to a lot of disgruntled farmers. The only positive for the sheep and beef sector is that the product price indications are better for the 2013/14 season.

In addition to the above factors, the past seasons climatic conditions, rising feed and other farm running costs, relatively tight credit conditions, the high New Zealand dollar and the world financial conditions do not assist with confidence in the farm land market.

Some of the recently confirmed dairy farm sales for market comparison purposes are tabled below.

| Location | Sale Date | Area | Sale Price | Price/ha | Price/ha excluding shares | Prodn or shares with sale | Sale price per prodn | Comments |
|---|---|---|---|---|---|---|---|---|
| Waimea Valley | 01/2013 | 216 | $5,100,000 | $23,611 | $23,611 | 195,000 sale excludes shares | $26.15 | Flats to easy to steeper low foothill. 30 aside HB shed, 70mx40m wintering shed, substantial late 50s brick homestead |
| Wendonside | 07/2012 | 167 | $5,705,000 | $34,162 | $28,839 | 196,669 | $29.00 | Sound Northern Sthld dairy farm on flat to very easy undulating land. 40 bail rotary shed, 2 good homes |
| Mandeville / Riversdale | 01/2013 | 171 +35ha DOC river lease | $6,600,000 | $38,596 + lease ($32,039) | $38,596 + lease ($32,039) | 255,000 sale excludes shares | $25.81 | Free draining flats, 135ha centre pivot irrigated, 2 good homes plus 40 aside HB cowshed |
| Riversdale | 12/2012 | 201 | $6,800,000 | $33,831 | $25,125 | 268,681 | $25.31 | Free draining river flats, 130ha centre pivot irrigated, 54 bail older rotary cowshed, 14 bay calf shed & weatherboard home |
| Riversdale | 11/2012 | 218 | $4,700,000 | $21,560 | $21,560 | 150,000 Sale excludes shares | $31.33 | Mixed quality farm requiring further development. No water consent for centre pivot irrigator. 45% flat, balance mainly easy rolling with some steeper points and faces. 54 bail rotary shed, 2 good houses. |

## General Description:

Situation - The property is situated in the Northern Southland farming district of Waimea Valley being of similar distance (approx. 15km) from the small rural servicing townships of Riversdale and Balfour. It is approximately 32 kilometres northwest of Gore. Primary schooling is available at Balfour or Riversdale while secondary is at Gore or Lumsden. The dairy factories are Fonterra at Edendale (approx. 54km) and Open Country at Awarua (approx. 100km)

Climate - A typical Northern Southland climate, which has damp cold winters and can be subject to summer dry. The annual rainfall averages around 900mm.

Contour – Flat to easy undulating with some steeper points and a small area of hill.

Soils – The soils as classified by the Topoclimate survey are predominately Hokonui Soils. These are a typical foothill soil type with heavy silt to clay loam textures and relatively poor drainage through the slowly permeable subsoil. They are prone to wetness in winter and water logging after heavy rain and given the Northern Southland climate they are also affected by summer dry.

Drainage – For the most part the property is adequately drained by open and tile drains, with some additional work completed last season. As is normal there remains room for improvement in some areas.

Pastures and Cover – The estimated areas of the various covers are as follows.

- 320ha of fair to good pastures includes 12ha of autumn sown pasture after summer turnips.
- 9ha winter crop brassica.
- 8ha of low producing rough grazing.
- 13ha of lanes, roads, creeks, tree lanes and areas occupied by buildings.

Fertiliser Treatment – Fertiliser (phosphate, potassium, sulphur, lime and strategic N) is applied based on the fertiliser company's recommendations. These recommendations are effectively maintenance of the property's generally good fertility levels with some additional capital fertiliser on the cropped and new grass areas. Capital Sulphur was applied in the 2011/12 season.

Weeds – Generally clean.

Fencing – The property is well fenced for dairy cows with a lane system connecting to the paddocks. Most of the fences are tanalised post with 2 electric wires, some have 3 wires and there are some conventional concrete post and tanalised post sheep fences. The watercourses are double fenced.

Lanes and tracks – There is approx. 6km of generally well formed lanes and other tracks. Maintenance work has been undertaken with improved lane crowns and top coats.

Shelter and Trees – A relatively small amount of good established shelter plantings (predominately eucalyptus), plus amenity planting around duck ponds and along some water courses. The 3 former small pine forestry blocks have been milled, with the block adjacent North Peak Creek (approx. 4 hectare) near the reservoir is in a stumped and windrowed state. The other two small blocks (approx. 2ha) are now in pasture.

Water Supply – The current water permit which expires on the 13 December 2037 and allows above normal flows to be taken from the North Peak Stream and put into a 40 million litre storage reservoir. The water is reticulated to the cowshed where it goes through a water Filtration/purification system, utilised here as well as being reticulated around the farm. The recently improved filtration systems the water is now approved for all purposes.

Effluent – The current discharge permit expires on the 6th October 2021 and the milking herd cannot exceed 1,200 cows. The effluent system has recently been upgraded to include 2 ponds with weeping walls, a storage pond (at least 5,400 cubic metres) and a large part of the property is approved for discharge using K-lines. It is assumed for the purposes of this valuation that the upgraded system continues to meet the requirements of the current discharge permit.

Production – The rounded production figures were given as follows

- 2007/2008 232,500kgMS (894 cows)
- 2008/2009 267,000kgMS (867 cows)
- 2009/2010 299,000kgMS (864 cows)
- 2010/2011 276,000kgMS
- 2011/2012 297,038kgMS
- 2012/2013 274,000kgMS

The 2012/2013 season's production achieved, while disappointing, is still satisfactory in the context of the very challenging seasonal conditions, aided by supplementary feeding of palm kernel and summer turnips.

Zoning - Under the Southland District Councils Operative District Plan, the property lies within the Rural Resource Area, with a Hills Resource Area sub grouping.

Rating Valuation (as at 01/09/12) – Capital Value $7,650,000 - Land Value $5,950,000

**Buildings:** (The buildings remain more or less as previously reported).

Homestead (1741 Waimea Valley Rd) – A good circa 1974 concrete split block veneer 3 bedroom bungalow with an attached double garage. Its gross floor areas are approx. 176m² main living, approx. 42m² garage and 12 m² of verandah and porch. The roof has been renewed with tile profile colour steel and the window joinery is aluminium. It has a semi open plan kitchen and living area, a separate lounge, two bathrooms and toilets, laundry, office and three double bedrooms. There is some built in furniture in the bedrooms, lounge and living area plus a good standard of fixtures and fitting for the era. There is also diesel fire ducted central heating. Overall this is a good home in average condition inside and out and the established grounds are kept presentable.

Cottage (1) (1545 Waimea Valley Rd.) – A basic compact 11 year old 3 bedroom "Versatile" home with colour coated iron walls and roof on a concrete foundation floor. Its gross floor areas are approximately 90m² living, 18m² carport and 19m² of verandah. A sound minimalistic home kept quite tidy. (2012/13 new carpets and dehumidifing systems installed).

Cottage (2) (1545 Waimea Valley Rd) – A basic compact 11 year old 2 bedroom "Versatile" home with colour coated iron walls and roof on a concrete foundation floor. Its gross floor areas are approximately 59m² living, 18m² carport and 13m² of verandah. A sound minimalistic cottage kept quite tidy. (2012/13 new carpets and dehumidifing systems installed).

Cowshed – A very good 12 year old 60 bail rotary shed. The main building has dimensions of approx. 21mx20m plus a 6mx2.4m lean-to. It has clear span RSJ framing, "Rudnev" panel walls and a colour steel roof. There is a 16m radius circular main yard and additional side vet and load-out/in yard area. In addition to the normal plant it has Auto cup removers plus an auto meal feed.

Woolshed – (approx. 150m²) A good modern 4 stand raised board, timber frame & corrugated iron shed. This shed remains intact, but it is obsolete and only utilised for storage.

Calf Shed (former yard cover attached to the woolshed) – (approx. 622m²) A good shed with a timber frame, corrugated iron roof, back and end walls. It is partitioned into 6 pens, a race and one storage bay.

Workshop/Implement/Bulk Store – (approx. 110m²) A good average 3 bay lean-to shed with a steel frame corrugated iron roof and walls. 1 bay has a high stud with the bulk bin while the workshop bay is partitioned.

Hayshed (reservoir lane) – (approx. 112m²) A good 4 bay lean-to shed, with timber frame and corrugated iron roof and 3 walls.

Hayshed (plantation) – (approx. 112m²) A good 4 bay lean-to shed with a timber frame, corrugated iron roof and 3 walls. One bay has a stage floor.

Hayshed (duck pond) – (approx. 112m²) A good 4 bay lean-to shed, with timber frame and corrugated iron roof and 3 walls.

Hayshed (east end) – (approx. 194m²) A fair older gable roof shed with steel frame and a corrugated iron roof, back and one end. The roof is rusty and the back wall needs repairs.

**General Comment:**

This large scale Northern Southland dairy farm has a good infrastructure in place and is run as a milking platform. Its situation, climate and soil type tends to make it a winter wet, summer dry property. It is a property that in the past has not preformed to expectations, but under the current management there is a strong trend of consistent much improved results. While last seasons result was disappointing, it was still satisfactory in the context of the very challenging seasonal conditions.

There are limited, but a useful cross section of recent Northern Southland dairy farm sales, which give a reasonable indication of market levels. The number of dairy farm sales in Southland's second tier localities, indicate good market interest, aided by Fonterra's indicative payout level, but remaining price sensitive.

Considering all the factors mentioned in this report, I confirm the assessed valuation represents this property's market value of the land and buildings at the valuation date.

***Declaration and Statement of Valuation Policy:***

*This Valuation has been prepared by a Registered Valuer, holding a current Annual Practicing Certificate.*

*The property has been valued on the basis of comparable recent sales evidence. The sales evidence stated in this report has been supplied by another party, while this evidence is believed to be reliable, I can accept no responsibility if this should prove not to be so.*

*The value provided in this valuation is my opinion of the current market value transferred on a willing buyer/willing seller basis. That value may change in future due to market conditions and changes in the state of the property.*

*This report does not purport to certify the structural soundness of any buildings on the land, soil stability or condition of underground services. It assumes compliance in all respects with Territorial Authority Ordinances/The Building Act 2004, and does not certify that all building improvements lie within title boundaries. Furthermore, this valuation assumes (unless otherwise stated) that a Territorial Authority Land Information Memorandum would not reveal any non-complying features and/or requisitions.*

*The valuation assumes that all the necessary resource consents and permissions necessary to permit the use of the property for the activities currently undertaken are in place.*

*Substances such as DDT residue, other chemicals, toxic waste or other potentially hazardous materials could, if present adversely affect the value of the property. The stated value is based on the assumption that there is no material on or in the property, that would cause loss in value. No responsibility is assumed for such conditions and the recipient of this report is advised that the valuer is not qualified to detect such substances, quantify the impact, or estimate the remedial cost.*

*My responsibility concerning this report and the valuation contained within, are limited to the client to whom the report is addressed, plus the parties to whom its use is extended, for the express stated purpose. Neither the whole nor any part of this valuation and report or reference to it may be included in any published document, circulation or statement without the written approval of the author as to the form and context in which it may appear.*

*This report may not fully comply with the NZIV & PINZ reporting standards for rural properties.*

I thank you for your instruction to undertake this valuation. I trust that the supplied report meets your requirements but should you have any queries, or should there be any matter arising, I would be pleased to assist.

Yours faithfully
PETER MINTY VALUATIONS

Peter Minty
Registered Valuer.
A.N.Z.I.V. / S.P.I.N.Z.