EASTBOURNE DAIRY FARM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016

Eastbourne Dairy Farm Limited

DIRECTORY

Nature of Business	Dairy Farming in the South Island of New Zealand
I R D Number	113-403-118
Date of Incorporation	12/02/2014
Company Number	4932539
Registered Office	87 Weraroa Road Waverley
Securities Registrar	Roger Dickie (N Z) Limited S H 3 Waverley
Directors	R R Dickie S J Barr J H Whitlock
Accountants	Markhams Waverley Limited Waverley
Solicitors	Duncan Cotterill Wellington Horsley Christie Wanganui
Auditors	Silks Audit Chartered Accountants Wanganui
Bankers	Bank of New Zealand Wanganui

Eastbourne Dairy Farm Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 31 MAY, 2016

The business of the company is dairy farming.

	THIS YEAR	LAST YEAR
The operating surplus (deficit) of the company for the year ended 31st May 2016 was	(443,625)	(239,701)
Taxation charge for the year was	-	-
Retained Earnings at 1st June 2015 were	(478,701)	(239,000)
Retained Earnings at 31 May 2016	(922,326)	(478,701)

It is not proposed to make any transfer to reserves.

The state of the company's affairs at 31st May 2016 was:-

	THIS YEAR	LAST YEAR
Assets totalled	$ 10,059,485	$ 10,512,538
and were financed by		
Shareholders equity of	9,927,674	10,371,299
and liabilities of	131,811	141,239
	$ 10,059,485	$ 10,512,538

The Board of Directors present their annual report, including the financial statements of the Company for the year ended 31 May 2016.

Directors interests:

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

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

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

Administration Services amounting to $59,781 were provided to the Group by Roger Dickie (N Z) Limited in which Roger Dickie, a director, has a controlling interest. The services were provided on normal commercial terms. Reimbursements were also made for $2,505 of Farm Advisory, General Expenses Meeting Costs and Subscriptions.

Accounting Services amounting to $6,865 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.

Directors fees of $2,100 were paid to Steve Barr 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
17 October 2016

Director
17 October 2016

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY, 2016

	Notes	2016 $	2015 $
Operating Revenue			
Stock Proceeds		93,590	75,605
Less Stock Purchases		(24,826)	(1,293,107)
Change in Livestock Values		(109,250)	1,003,525
Gross Income from Livestock		(40,486)	(213,977)
Milk Proceeds		943,331	969,056
Dividends Received		131	-
Interest Received		-	99
Sundry Revenue		5,620	-
		908,596	755,178
Operating Expenses			
Rates & Insurance		26,434	32,440
Interest & Finance Charges		7,684	156
Animal Health		85,384	111,968
Audit Fees		6,750	6,000
Crop Expenses		54,770	27,901
Directors Fees		2,100	-
Feed Costs		111,707	114,828
Grazing Fees		98,728	27,589
Sharemilker Payments		289,387	263,988
Vehicle Expenses		7,659	8,551
Other Farm Working Expenses		122,830	115,750
Pasture Maintenance		103,133	148,963
Repairs & Maintenance		87,781	85,723
Depreciation	7	45,979	51,022
Impairment of Fixed Assets	7	301,895	
Costs re Share Issue		-	-
		1,352,221	994,879
Operating Surplus (Deficit) before Tax		(443,625)	(239,701)
Provision for Taxation	4	-	-
Operating Surplus (Deficit) after Taxation		(443,625)	(239,701)
Other Comprehensive Income		-	-
Total Comprehensive Income		(443,625)	(239,701)

Eastbourne Dairy Farm Limited

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2016

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2016			
Total Comprehensive Income for Year	-	(443,625)	(443,625)
Capital Contributed	-	-	-
Set Up Costs	-	-	-
Provision for Dividend	-	-	-
Equity at Beginning of Year	10,850,000	(478,701)	10,371,299
Equity at End of Year	10,850,000	(922,326)	9,927,674
31 May 2015			
Total Comprehensive Income for Year	-	(239,701)	(239,701)
Equity Contributed	11,000,000	-	11,000,000
Set Up Costs	(150,000)	-	(150,000)
Provision for Dividend	-	-	-
Equity at Beginning of Year	-	(239,000)	(239,000)
Equity at End of Year	10,850,000	(478,701)	10,371,299

Eastbourne Dairy Farm Limited

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2016

	Note	2016 $	2015 $
Current Assets			
Taxation Refund Due		56,041	56,032
Cash and Cash Equivalents	6	37,770	16,316
Accounts Receivable		112,888	125,878
GST Refund Due		-	7,189
Livestock on Hand		894,275	1,003,525
Feed on Hand		31,583	36,305
Total Current Assets		1,132,557	1,245,245
Non Current Assets			
Shares - Sundry		1,928	200
Property, Plant & Equipment	7	8,925,000	9,267,093
Total Non-Current Assets		8,926,928	9,267,293
Total Assets		10,059,485	10,512,538
Current Liabilities			
Bank Overdraft	6	-	-
Provision for Taxation	4	-	-
Provision for Dividend		-	-
GST Payable		12,652	-
Accounts Payable		119,159	141,239
Total Current Liabilities		131,811	141,239
Non-Current Liabilities			
Deferred Tax	4	-	-
Total Non-Current Liabilities		-	-
Equity		9,927,674	10,371,299
Total Liabilities & Equity		10,059,485	10,512,538

For and on behalf of the board

Director
17 October 2016

Director
17 October 2016

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MAY, 2016

	Notes	2016 $	2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from Customers		1,054,853	928,846
Tax Refunds		-	-
GST Refunds		14,987	
Interest & Dividends		131	99
		1,069,971	928,945
Cash was applied to:			
Operating Expenses		(1,014,648)	(2,164,828)
Interest Paid		(7,684)	(155)
GST		-	(2,966)
Taxation Paid		(18,676)	(37,365)
		(1,041,008)	(2,205,314)
Net cash inflow (outflow) from operating activities	9	28,963	(1,276,369)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Fixed Assets		-	-
Sale of Investments		-	-
		-	-
Cash was applied to:			
Purchase of Fixed Assets		(5,781)	(9,318,115)
Purchase of Investments		(1,728)	(200)
		(7,509)	(9,318,315)
Net cash inflow (outflow) from investing activities		(7,509)	(9,318,315)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Term Loan		-	-
Equity Contributions		-	11,000,000
Cash was applied to:			
Preliminary Expenses		-	(389,000)
Net cash inflow (outflow) from financing activities		-	10,611,000
Net increase (decrease) in cash held		21,454	16,316
Balance at beginning of year		16,316	-
Balance at end of year 31 May 2016	6	37,770	16,316

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

FOR THE YEAR ENDED 31 MAY, 2016

1. Summary of Significant Accounting Policies

Reporting Entity

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

Eastbourne 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) 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

(b) Impairment

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

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

FOR THE YEAR ENDED 31 MAY, 2016 (CONT.)

(c) Share Capital

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

(d) Taxation

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

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

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

(e) Financial Instruments

Financial instruments are recognised in the balance sheet when the Company becomes party to a financial contract. They include cash balances, bank overdrafts, receivables, payables, investments in and loans to others, and term borrowings.

(f) Receivables and Payables

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

(g) Investments

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

(h) Borrowings

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

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

(i) Revenue

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

(j) Cashflows

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

(k) Goods and Services Tax

These accounts have been prepared exclusive of Goods and Services Tax, except for accounts payable and accounts receivable, which are GST inclusive

(l) Biological Assets

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

(m) 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

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2016 (CONT.)

2. Issued Shares

	2016	2015
Ordinary Shares Issued	11,000,000	11,000,000
Opening Paid Up Capital	10,850,000	-
Further Capital Paid Up	-	11,000,000
Set Up Costs	-	(150,000)
Closing Paid Up Capital	10,850,000	10,850,000

All ordinary shares have been issued. All shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value.

3. Retained Earnings

	2016	2015
Balance as at 1 June 2015	(478,701)	(239,000)
Operating surplus (deficit) attributable to the shareholders of the parent company.	(443,625)	(239,701)
Balance as at 31 May 2016	(922,326)	(478,701)

4. Taxation

	2016	2015
Net Profit/(Loss) for the year	(443,625)	(239,701)
Prima facie income tax at 28%	(124,215)	(67,116)
Add (subtract) taxation effect of permanent differences	84,531	
Other Permanent Differences	-	42,000
Non-recognised Timing Differences	39,684	25,116
Recognition of tax losses not previously recognised	-	-
Income Tax Expense	-	-
The income tax expense is represented by:		
Current Tax	-	-
Deferred Tax	-	-
Income Tax Expense	-	-

There are income tax losses and unrecognised timing differences carried forward of $381,380 (2015: $239,701) for set-off against future assessable income subject to Inland Revenue Department Assessment.

5. Imputation Credit Account

	2016	2015
Balance as at 1 June 2015	56,032	-
Tax Refunded	-	-
Tax Paid	60	56,032
Balance as at 31 May 2016	56,092	56,032

6. Cash and Cash Equivalents

	2016	2015
Bank of New Zealand Cheque Account	37,770	16,316
Balance as at 31 May 2016	37,770	16,316

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

7. Property, Plant & Equipment

	Land	Buildings	Development Expenditure	Plant & Equipment	Total
1 June 2015:					
Cost Price	8,433,212	530,439	58,250	296,214	9,318,115
Accumulated Depreciation/Impairment	-	(6,160)	(2,194)	(42,668)	(51,022)
Net Book Value	8,433,212	524,279	56,056	253,546	9,267,093
Additions	-	-	-	5,781	5,781
Disposals	-	-	-	-	-
	8,433,212	524,279	56,056	259,327	9,272,874
Depreciation	-	(6,160)	(2,330)	(37,489)	(45,979)
Impairment	(301,895)				(301,895)
Loss/(Gain) on Sale					-
Net Book Value	8,131,317	518,119	53,726	221,838	8,925,000
31 May 2016:					
Cost Price	8,433,212	530,439	58,250	301,995	9,323,896
Accumulated Depreciation/Impairment	(301,895)	(12,320)	(4,524)	(80,157)	(398,896)
Net Book Value	8,131,317	518,119	53,726	221,838	8,925,000
1 June 2014:					
Cost Price	-	-	-	-	-
Accumulated Depreciation/Impairment	-	-	-	-	-
Net Book Value	-	-	-	-	-
Additions	8,433,212	530,439	58,250	296,214	9,318,115
Disposals	-	-	-	-	-
	8,433,212	530,439	58,250	296,214	9,318,115
Depreciation	-	(6,160)	(2,194)	(42,668)	(51,022)
Loss/(Gain) on Sale	-	-			-
Net Book Value	8,433,212	524,279	56,056	253,546	9,267,093
31 May 2015:					
Cost Price	8,433,212	530,439	58,250	296,214	9,318,115
Accumulated Depreciation/Impairment		(6,160)	(2,194)	(42,668)	(51,022)
Net Book Value	8,433,212	524,279	56,056	253,546	9,267,093

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2016 (CONT.)

8. Financial Instruments

Credit risk

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

The Issuing company manages its exposure to credit risk

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

Concentrations of credit risk

Accounts receivable include $94,866 (2015: $110,962) receivable from Open Country Dairy Ltd. The company does not have any other significant concentrations of credit risk.

Currency and Interest rate risk

There is currency risk to the extent that income is dependant on the sale price achieved by Open Country Dairy Ltd who in turn incurs currency risk. The company has exposure to interest rate risk to the extent that they borrow at floating interest rates.

Fair values

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

Liquidity Risks

Liquidity risk represents the Issuing company's ability to meet its financial obligations on time. For the most part the Company generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls. The Issuing company has a total bank overdraft facility of $250,000. At balance date, this was undrawn (2015:$0)

Liquidity Forecasts

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

Interest Rate Risk

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

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

	2016	2015
Net Surplus/(Deficit) after tax for the year	(443,625)	(239,701)
Set Up Costs classified as Finance Activity	-	-
	(443,625)	(239,701)
Add (less) non cash items:-		
- Impairment	301,895	-
- Depreciation	45,979	51,022
	(95,751)	(188,679)
Add (less) movement in other working capital items:		
Increase (decrease) in accounts payable	(22,080)	141,239
(Increase) decrease in livestock on hand	109,250	(1,003,525)
(Increase) decrease in feed on hand	4,722	(36,305)
(Increase) decrease in accounts receivable	12,990	(125,878)
Increase (decrease) in GST payable	19,841	(7,189)
Increase (decrease) in Tax payable	(9)	(56,032)
Net cash inflow (outflow) from operating activities	28,963	(1,276,369)

10. Contingent Liabilities & Contingent Assets

The company has a deferred tax asset arising from tax losses and fertiliser deferrals amounting to $381,380 (2015: $239,701) which has not been recognised due to uncertainty of any ultimate claim.

At 31 May 2016 the Company has no other significant contingent assets or contingent liabilities. (2015: $Nil)

11. Capital Commitments & Non-Cancellable Operating Leases

At 31 May 2016 there were no other capital commitments and no non-cancellable operating leases. (2015: $Nil)

12. Related Party Transactions

a) The company paid administration fees of $59,781 (2015: $34,774) to Roger Dickie (NZ) Ltd, in which Roger Dickie, a director, has a controlling interest. The comparative amount includes reimbursement payments to S J Barr, a director. In addition, $2,505 of reimbursements were made for Farm Advisory, General Expenses, Meeting Costs and Subscriptions. The amount owing at balance date was $40,291 (2015: $2,791)

b) Accounting Services amounting to $6,865 (2015: $6,000) were provided to the Group by Markhams Waverley Ltd in which Jeff Whitlock, a director, is also a director. The amount owing at balance date was $6,000 (2015: $6,000)

c) The company paid Steve Barr directors fees of $2,100. In the previous year this was part of the administration fee a in Note 12a above.

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

13. Events After Balance Date

The company has been effected by the general downturn in the dairy industry. The budget for the 2016/17 season shows a modest cash surplus position. Should the industry downturn worsen in the coming months, the company has bank facilities in place to meet working capital requirements. No other significant events have occurred since balance date.

14. Stock on Hand

	No.	2016	No.	2015
R1 Heifers	106	76,850	111	83,250
R2 Heifers and Mixed Age Cows	519	817,425	520	920,275
	625	894,275	631	1,003,525

Stock is stated at market value as at 31 May 2016 based on a valuation by Progressive Livestock Southland Ltd, Timaru, dated 31 May 2016. Progressive Livestock Southland Ltd are independent specialist dairy livestock agents.

Reconciliation of Numbers:	No.	2016	No.	2015
Opening Stock	631	1,003,525	-	-
Purchases	16	24,826	655	1,293,107
Sales	(426)	(93,590)	(510)	(75,605)
Increase/decrease in values of cattle		(40,486)		(213,977)
Natural Increase	438		519	-
Deaths & Missing	(34)		(33)	-
Closing Stock	625	894,275	631	1,003,525

15. Significant Judgements & Uncertainties

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