Eastbourne Dairy Farm Limited

ANNUAL REPORT

ROGER DICKIE

NEW ZEALAND

TABLE OF CONTENTS

DIRECTORS ANNUAL REPORT

23rd September 2015

The 2014/2015 season saw our variable order sharemilkers Ben Worker & Penny Timmer-Arends achieve production of 207,218 kgMS. This was down 4.9% on the 217,500 kgMS that was budgeted for and can be directly linked to the difficult weather conditions at the start of the season and the number of cows that were milked ended up lower than originally anticipated, due to a few issues with the herd purchased.

The final payout announced by Open Country Dairy was $4.61/kgMS, considerably down on the original forecast of $6.90, which is only reflecting the current world commodity prices. However, we were paid an additional eight cents per kgMS for our milk, due to Ben & Penny's diligence with milk quality and achieving an average somatic cell count for the season of 78,864.

This outstanding effort for milk quality, ranked them 4th in Southland and 20th nationwide amongst Open Country Dairy Suppliers. We would like to offer them a big congratulations on this achievement, it is a fantastic reflection on their diligence within the cow shed to come to a new farm with a new herd and achieve such high standards.

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 this year. 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 $3.66 forecast) and $6.00 for the following season.

A valuation of all land and buildings and stock were undertaken for the financial year. These were completed by Logan Stone Limited and Progressive Livestock Limited, summaries of these documents are included in this annual report. For the 2014/2015 financial year Eastbourne was given a total value of $10,398,525. This was made up of land and buildings of $7,120,000 for the farm and $2,275,000 for the run-off, and all stock at $1,003,525. The Shareholders would be happy to note that the land and building value is up $320,000 from the $9,075,000 it was purchased for.

The total capital expenditure for the year was $72,773. This included the purchase of a milk vat for $16,479, 8 tonne Giltrap trailer at $19,900, head bail at $4,140, Krone Easycut Mower at $18,900, Milkbar 50 twin axle cafeteria at $8,765 and we upgraded one of the bathrooms in the workers dwelling at a cost of $4,589.

On takeover of the farm in June we identified areas that needed to be improved and invested $85,723 throughout the season in repairs and maintenance to upgrade the farm to a good standard. This included maintenance for the cowshed of $17,249, repairs to the yards at the farm and the runoff of $18,441, upgrades to the workers houses of $15,313, upgrades to the calf sheds $17,249.

We originally budgeted $66,560 for Animal Health for the season. Poor weather conditions at the start of the season resulted in lameness and mastitis issues for the new herd. The result of this was $111,968 was spent on Animal Health.

General farm working expenses is the other area where a major difference from the original budget occurred. $54,900 was budgeted and $115,750 was spent, with the major areas coming from Farm Advisory of $20,548, Cartage of $41,950 and Administration $34,774.

With our policy of having no term debt we have insulated the business against this downward swing in pricing. We had forecast prior to the start of Eastbourne Dairy Farm that the farm working expenses (FWE) for the first five years would average $4.72/kgMS per year. For the 2014/2015 season the FWE were $4.20/kgMS, which is below the national average.

2015 also saw a successful first 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 like to take this opportunity to thank my fellow Directors Jeff Whitlock and Stephen Barr, our Variable Order Sharemilkers Ben Worker & Penny Timmer-Arends and our farm consultant Jack Ballam for their contributions over the past year.

Farm Update – Current Season

The production forecast for the 2015/2016 season has been set at 220,000 kgMS. The season has had a difficult start, which can be attributed to the very wet conditions in Southland this spring. The wet 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 should meet our production target.

2015/2016 season continues to be financially challenging, as the current milk price is still affected by worldwide commodity prices, however the long term forecast for dairy industry is still very strong. The last few Global Dairy Trades have shown promising signs that we are in the early stages of recovery.

For the current season, Open Country Dairy has forecast a milk price for the 2015/2016 season of $3.66, which is lower than what was originally announced for the season. 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.

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.

With our policy of having no term debt we are insulated against this downward swing in pricing. For the 2014/2015 season the farm working expenses (FWE) were $4.20/kgMS and for the current 2015/2016 season we have budgeted for farm working expenses of $4.09/kgMS, which is well below the national average.

As a result of the current climate the directors have resolved to operate with a temporary overdraft facility with a limit of $250,000 for the 2015/2016 season. The interest rate for the facility is 7.70%. We see the use of this facility as a stop-gap for this season and as the pay improves there will be no need to utilise this facility.

I look forward to seeing you at the AGM.

Kind Regards

RR Dickie
Director
Eastbourne Dairy Farm Limited

VOSM ANNUAL REVIEW – Ben Worker & Penny Timmer-Arends

The first half of the 2014/15 season was challenging. August was wet and cold, which placed additional stress on both man and beast. It was made more difficult for staff as the cows the farm had purchased came from a rotary shed. This meant all 405 cows and 115 heifers had to be trained to walk into the herringbone and row up for milking. After months of heifers jumping into feed bins, cows turning around on the platform, and a lot of kicked cups, the herd now walk in and row up well. Next season will be a lot smoother, as the cows will help teach the heifers to row up.

The annual rainfall in Southland is around 1200mm, half of which fell in October and November. The wet conditions caused the cows to trample grass into the ground and waste feed, and it was too wet to get the mower on the paddocks and keep residuals down. Grass quality became a challenge in early December when the rye grass goes to seed, and we baled the lowest quality paddocks for supplement rather than forcing the cows to eat it.

WRAPPING UP THE SEASON

As the saying goes, "Southland might get you down, but it will never let you down", and autumn has been remarkable. From February to April we've had a surplus of grass, allowing us to increase our grazing round from 30 days to 50 days, and create a buffer of feed for May. We switched the in-shed feed off in early January, and have fed out minimal balage in April/May, keeping our feed costs low.

As we headed towards dry-off at the end of May, we set the farm up for good grass cover in Spring, and the cows were in excellent body condition for calving.

STOCK

At 31 May 2015 Eastbourne had the following stock for following season:

Class of stock	Number	Comment
Mixed Age Cows	415	We had to cull a higher-than-expected number of cows this season due to lameness/udder issues that were inherited with the herd purchase. Our high in-calf rate has mitigated this to some extent. And the high beef schedule has helped offset this loss, with culls achieving $600+ from the meat processors.
R2s (First Calvers)	105	Because of a high cull rate in the cows, 105 heifers were required for replacements next season. The livestock market is low this year and Eastbourne was able to purchase quality animals at a good price $1475/heifer (c.f. $1650+ last season). The R2s arrived on 1 May and are now grazing at the run-off where they will be wintered.
R1s (Yearlings)	111	There are 111 yearlings grazing at the run-off, and will winter there also. 82 were reared on farm, and 30 bought in on 1 December. The yearlings are growing exceptionally well under our direct care at the run-off (many farmers send them away for grazing) and will easily meet the 300kg weight target for mating in November.

FEED

Approximately 106 tonne of supplement was fed through the shed between August and January, an average of 216kg per cow. This was below budget, as we moved to a grass-only diet from mid-January to keep costs down.

We had enough grass on the milking platform to milk through until 31 May, however the rainfall over the first few weeks of May saw us dry-off slightly earlier to reduce pasture damage. The downside to being 'summer safe' is that we get very wet on the shoulders of the season.

140 cows, 105 heifers and 111 yearlings will winter at the run-off and 270 cows were wintered in Dacre approx 40km away. A nice short truck ride for heavily pregnant animals to manage when they returned in early August.

MATING

Eastbourne Dairy Farm achieved good mating results this season. We used 6 weeks of artificial breeding (AB), 4 weeks of natural mating with the bulls, and finally 3 weeks of short gestation AB. By using short gestation semen for the last three weeks, we're able to manipulate the gestation length of the cows, and have them calve up to 10 days earlier.

6 week in-calf rate = the percentage of the herd that gets in-calf during the first six weeks of mating. The 6 week in-calf rate is one of the most powerful indicators of how well a farm is operating.

Much more than a basic measure of fertility, it also delivers: more days in milk in early lactation; more AB replacement calves (to keep or sell); and fewer empty cows.

Results:

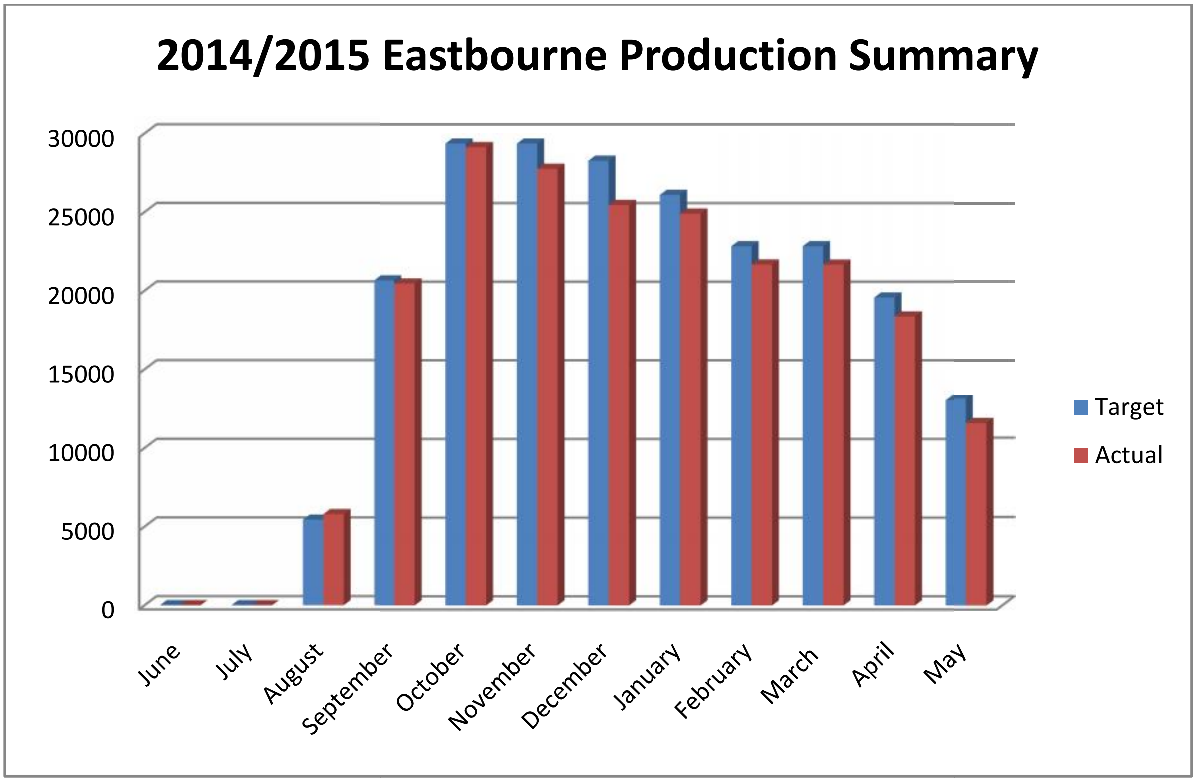
	Eastbourne 14/15	Industry target	NZ 2011 average
6 week in-calf rate	**78%**	78%	66%
Empty rate	8%	6%	13%

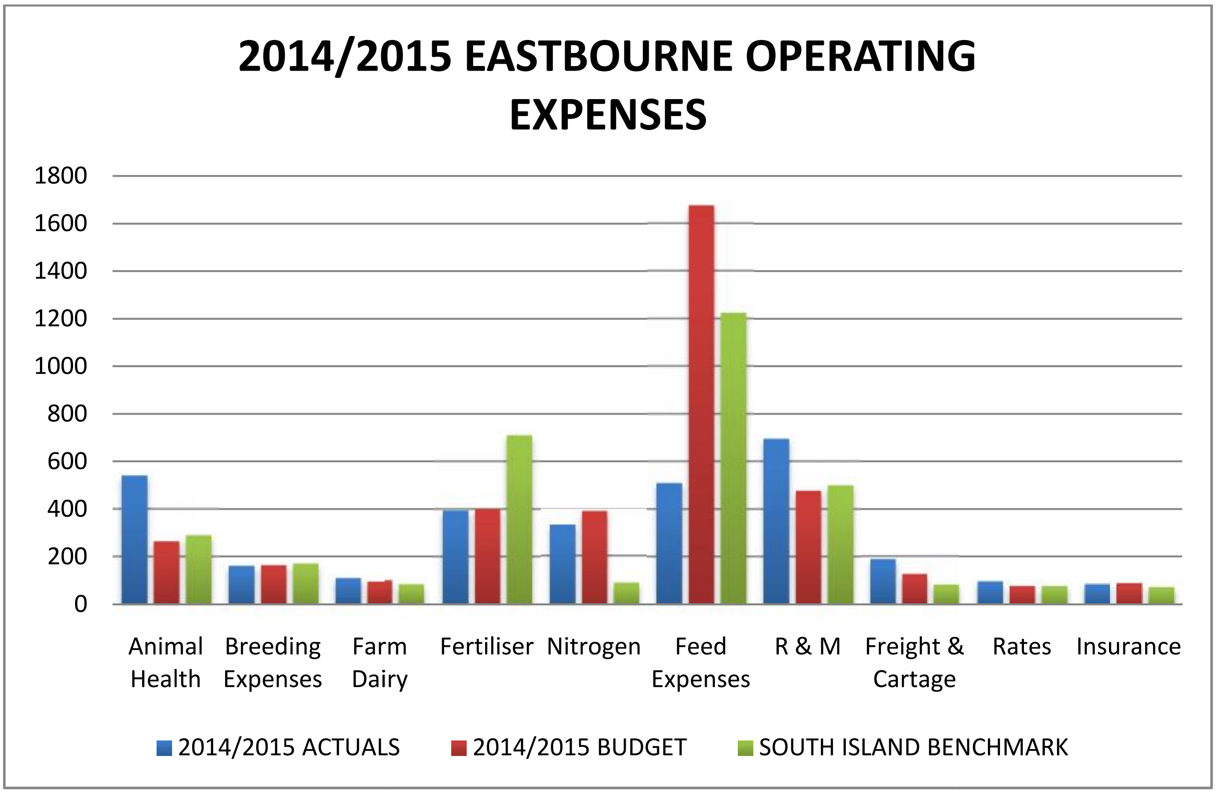
<u>Comment from VetSouth:</u> *Awesome result. You are among the top 12.5% of the country with this result. When taking into account that this is the first season for you on this farm and that previous operators have struggled to get anywhere near this you should be very very proud of this result.*

PRODUCTION

Eastbourne's target for 2014/15 was 217,500kg based on 500 cows producing 435kgMS each.

With the difficult spring, and slightly lower stock numbers (490 cows at peak) we finished the season at 207,218 kgMS. This is an average of 422kg/cow, and all things considering a good result.





Note: Benchmark information gathered from DairyBase. The Benchmark Group is made up of 240 South Island Farms.

2015 SHAREHOLDER FARM VISIT

March 2015 saw a bi-annual shareholder farm visit to Eastbourne. Fourteen shareholders took advantage of the opportunity to visit their farm. The group were welcomed by our Sharemilkers Ben and Penny who gave us an update of progress on the farm for the season.

After inspecting the milking shed and effluent system we had a tour of the farm. While our farm we had the opportunity to get up close with some of the herd who were happily grazing in the sun. We then carried on to inspect the runoff, located down the road.

It was an excellent opportunity for our shareholders to have a look at their investment and meet Ben & Penny. Along with Ben and Penny our farm consultant Jack Ballam was on hand to answer any questions.

Among the shareholders visiting the farm were a couple of experienced dairy farmers who remarked very favourably about the condition of the farm and the stock. They were also high in their praise of Ben and Penny.

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.

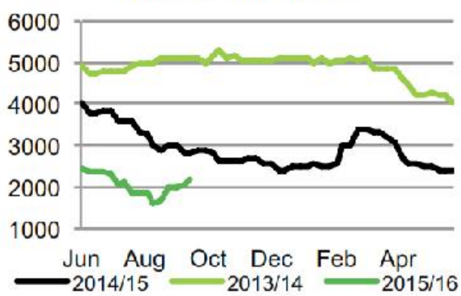
Milk Price Forecast ($/kgMS)

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

11 Eastbourne Park Road
Thornbury
Southland

Market Valuation prepared for:

Roger Dickie New Zealand Limited
PO Box 43
WAVERLY 4544

Attention: Ian Tretheway

As at 31 May 2015

LOGANSTONE
PROPERTY ▪ INFRASTRUCTURE ▪ VALUATION

EXECUTIVE SUMMARY

Property Address:	11 Eastbourne Park Road, Thornbury, Southland
Brief Description:	A 170.8633 hectare dairy milking platform situated in the Thornbury district of Southland which has been converted approximately 11 years. Milking 490 cows and estimated to produce 210,000 kilograms of milk solids for the 2014/15 season. From a dairying perspective location is regarded as good. Climate is suited for seasonal supply dairy land use. The land is of flat to undulating contour and deep soils with pastures in good heart. Overall layout is good being well subdivided into 51 paddocks, bore reticulated water supply and well raced. Housing includes three dwellings which are of adequate number of fair to good quality. The milking shed is of adequate capacity and in good condition. There are adequate supporting farm buildings including a calving shed and feed pad for 240 cows. Overall a good quality dairy platform being tidily presented and achieving above Southland average production based on a higher supplement import system. We estimate average efficient production to be 218,000 kilograms of milk solids (1389 kg ms / effective ha).
Instructing Party:	Ian Tretheway
Registered Proprietor:	Eastbourne Dairy Farm Limited
Purpose of Report:	To assess the market value for financial reporting purposes.
Reliant Parties:	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 basis of valuation is market value 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, soils and contour, production, range and quality of housing and farm buildings, adequacy of milking shed, buoyant rural property market.

Land Value Assessments:	$5,460,000
Residential Improvements:	$526,000
Productive Buildings:	$414,000
Other Improvements:	$590,000
Household & Farm Chattels:	$30,000
Milking & Effluent Plant and Equipment:	$100,000
Market Value:	**$7,120,000**
Qualification to Valuation:	Above assessment is based on the Resource Consents being transferred to current ownership.
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

Please note this is a summary document and a full valuation is available on the website.

14th May 2015

PROGRESSIVE LIVESTOCK LTD

DAIRY & BEEF
LIVESTOCK AGENTS

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 *Eastbourne Dairy Farm 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	394	$1900+ GST	$748600+ GST
9 year old plus F & FX incalf dairy cows	10	$800+ GST	$8000+ GST
Mixed age budget F & FX incalf dairy cows (inc 3 titters)	11	$800+ GST	$8800+ GST

Herd BW 100
PW 118
75% RA

Livestock Class	Verified Units on Hand	Price Per Head - $	Total Value of class - $
Xbred incalf dairy heifers	105	$1475+ GST	$154875+ GST

BW ?
PW ?

The records for the incalf heifers were not available at time of inspection.

Livestock Class	Verified Units on	Price Per Head - $	Total Value of class - $

	Hand		
F & FX empty rising 1 year dairy heifers	111	$750+ GST	$83250+ GST

BW 144
PW 162

Total $1,003,525.00
+ GST $1,154,528.75

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 overall presentation and performance of the stock at Eastbourne Dairy Farm has had a marked influence on placing the stock values in a bracket that is above where the herd figures sit on a national average. The management of the herd is well reflected in the stock...

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

EASTBOURNE DAIRY FARM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2015

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, 2015

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 2015 was	(239,701)	(239,000)
Taxation charge for the year was	-	-
Retained Earnings at 1st June 2014 were	(239,000)	-
Retained Earnings at 31 May 2015	(478,701)	(239,000)

It is not proposed to make any transfer to reserves.

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

Assets totalled	$ 10,512,538	-
and were financed by		
Shareholders equity of	10,371,299	(239,000)
and liabilities of	141,239	239,000
	$ 10,512,538	-

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

The issuer, Roger Dickie Dairy Limited, in which Roger Dickie, a director, has a controlling interest sold 9,269,000 shares during the year for the amount of $9,269,000. Roger Dickie Dairy Limited 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 $34,774 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.

Project Establishment, brokerage & issue fees of $150,000 were paid to Roger Dickie Holdings Limited in which Roger Dickie, a director, has a controlling interest. The payment was made in accordance with the Prospectus and Investment Statement dated 21 May 2014.

Accounting Services amounting to $6,000 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

Eastbourne Dairy Farm Limited

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MAY, 2015

	Notes	2015 $	Prospectus $	2014 $
Operating Revenue				
Stock Proceeds	16a	75,605	38,740	-
Less Stock Purchases	16b	(1,293,107)	(1,093,500)	-
Change in Livestock Values	16c	1,003,525	1,093,500	-
Gross Income from Livestock		(213,977)	38,740	-
Milk Proceeds	16d	969,056	1,479,000	-
Dividends Received		-	-	-
Interest Received		99	-	-
Sundry Revenue		-	-	-
		755,178	1,517,740	-
Operating Expenses				
Rates & Insurance	16e	32,440	26,000	-
Interest & Finance Charges		156	-	-
Animal Health	16f	111,968	66,560	-
Audit Fees		6,000	6,000	-
Crop Expenses	16g	27,901	42,500	
Feed Costs	16h	114,828	186,266	-
Grazing Fees		27,589	25,285	-
Sharemilker Payments	16i	263,988	313,320	-
Vehicle Expenses	16j	8,551	25,000	
Other Farm Working Expenses	16k	115,750	54,900	-
Pasture Maintenance		148,963	156,720	-
Repairs & Maintenance		85,723	75,000	-
Depreciation	7,16l	51,022	22,500	-
Costs re Share Issue		-	-	239,000
	16	994,879	1,000,051	239,000
Operating Surplus (Deficit) before Tax		(239,701)	517,689	(239,000)
Provision for Taxation	4	-	144,953	-
Operating Surplus (Deficit) after Taxation		(239,701)	372,736	(239,000)
Other Comprehensive Income		-	-	-
Total Comprehensive Income		(239,701)	372,736	(239,000)

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

Eastbourne Dairy Farm Limited

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2015

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
31 May 2015 - Actual			
Total Comprehensive Income for Year	-	(239,701)	(239,701)
Capital 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
31 May 2015 - Prospectus			
Total Comprehensive Income for Year	-	372,736	372,736
Equity Contributed	11,000,000	-	11,000,000
Set Up Costs	(150,000)	-	(150,000)
Provision for Dividend	-	(385,000)	(385,000)
Equity at Beginning of Year	-	(239,000)	(239,000)
Equity at End of Year	10,850,000	(251,264)	10,598,736
31 May 2014			
Total Comprehensive Income for Year	-	(239,000)	(239,000)
Equity Contributed	-	-	-
Set Up Costs	-	-	-
Provision for Dividend	-	-	-
Equity at Beginning of Year	-	-	-
Equity at End of Year	-	(239,000)	(239,000)

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

Eastbourne Dairy Farm Limited

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY, 2015

		2015 $	Prospectus $	2014 $
Current Assets				
Taxation Refund Due		56,032	-	-
Cash and Cash Equivalents	6	16,316	429,914	-
Accounts Receivable		125,878	162,749	-
GST Refund Due		7,189	-	-
Livestock on Hand		1,003,525	1,093,500	-
Feed on Hand		36,305	76,800	-
Total Current Assets	16m	1,245,245	1,762,963	-
Non Current Assets				
Shares - Sundry		200	-	-
Property, Plant & Equipment	7	9,267,093	9,239,750	-
Total Non-Current Assets		9,267,293	9,239,750	-
Total Assets		10,512,538	11,002,713	-
Current Liabilities				
Bank Overdraft	6	-	-	-
Provision for Taxation	4	-	-	-
Provision for Dividend		-	385,000	-
GST Payable		-	-	-
Accounts Payable		141,239	18,977	239,000
Total Current Liabilities	16m	141,239	403,977	239,000
Non-Current Liabilities				
Deferred Tax	4	-	-	-
Total Non-Current Liabilities		-	-	-
Equity		10,371,299	10,598,736	(239,000)
Total Liabilities & Equity		10,512,538	11,002,713	-

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

SILKS AUDIT CHARTERED ACCOUNTANTS

CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 MAY, 2015

	Notes	2015 $	Prospectus $	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from Customers		928,945	1,354,991	-
Tax Refunds		-	-	-
GST Refunds		-	-	
Interest		-	-	-
		928,945	1,354,991	-
Cash was applied to:				
Operating Expenses		(2,164,828)	(2,128,874)	
Interest Paid		(155)	-	-
GST		(2,966)	-	-
Taxation Paid		(37,365)	(144,953)	
		(2,205,314)	(2,273,827)	-
Net cash inflow (outflow) from operating activities	9	(1,276,369)	(918,836)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Sale of Fixed Assets		-	-	-
Sale of Investments		-	-	-
		-	-	-
Cash was applied to:				
Purchase of Fixed Assets		(9,318,115)	(9,262,250)	-
Purchase of Investments		(200)	-	-
		(9,318,315)	(9,262,250)	-
Net cash inflow (outflow) from investing activities		(9,318,315)	(9,262,250)	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Term Loan		-	-	-
Equity Contributions		11,000,000	11,000,000	-
Cash was applied to:				
Preliminary Expenses		(389,000)	(389,000)	-
Net cash inflow (outflow) from financing activities		10,611,000	10,611,000	-
Net increase (decrease) in cash held		16,316	429,914	-
Balance at beginning of year		-	-	-
Balance at end of year 31 May 2015	6	16,316	429,914	-

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

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

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, 2015 (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

SILKS AUDIT CHARTERED ACCOUNTANTS SA

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

	2015	2014
Ordinary Shares Issued	11,000,000	-
Opening Paid Up Capital	-	-
Further Capital Paid Up	11,000,000	
Set Up Costs	(150,000)	
Closing Paid Up Capital	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

	2015	2014
Balance as at 1 June 2014	(239,000)	-
Operating surplus (deficit) attributable to the shareholders of the parent company.	(239,701)	(239,000)
Balance as at 31 May 2015	(478,701)	(239,000)

4. Taxation

	2015	2014
Net Profit/(Loss) for the year	(239,701)	(239,000)
Prima facie income tax at 28%	(67,116)	(66,920)
Add (subtract) taxation effect of permanent differences	42,000	66,920
Other Permanent Differences	25,116	-
Non-recognised Timing Differences	-	-
Recognition of tax losses not previously recognised	-	-
Income Tax Expense		

	2015	2014
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 $239,701 (2014: $Nil) for set-off against future assessable income subject to Inland Revenue Department Assessment.

5. Imputation Credit Account

	2015	2014
Balance as at 1 June 2014	-	-
Tax Refunded	-	-
Tax Paid	56,032	-
Balance as at 31 May 2015	56,032	-

SILKS AUDIT CHARTERED ACCOUNTANTS

Eastbourne Dairy Farm Limited

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 2014
Bank of New Zealand Cheque Account	16,316	-
Balance as at 31 May 2015	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 $50,000. The bank does not have any Financial Covenants in place.

7. Property, Plant & Equipment

	Land	Buildings	Development Expenditure	Plant & Equipment	Total
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
1 June 2013:					
Cost Price	-	-	-	-	-
Accumulated Depreciation/Impairment	-	-	-	-	-
Net Book Value	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
	-	-	-	-	-
Depreciation	-	-	-	-	-
Loss/(Gain) on Sale	-	-	-	-	-
Net Book Value	-	-	-	-	-
31 May 2014:					
Cost Price	-	-	-	-	-
Accumulated Depreciation/Impairment	-	-	-	-	-
Net Book Value	-	-	-	-	-

STATEMENT OF ACCOUNTING POLICIES AND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY, 2015 (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 $110,962 (2014: $nil) 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 $50,000. At balance date, this was undrawn (2014:$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)

	2015	Prospectus	2014
Net Surplus/(Deficit) after tax for the year	(239,701)	372,736	(239,000)
Set Up Costs classified as Finance Activity	-	-	239,000
	(239,701)	372,736	-
Add (less) non cash items:-			
- Depreciation	51,022	22,500	-
	(188,679)	395,236	-
Add (less) movement in other working capital items:			
Increase (decrease) in accounts payable	141,239	18,977	-
(Increase) decrease in livestock on hand	(1,003,525)	(1,093,500)	-
(Increase) decrease in feed on hand	(36,305)	(76,800)	-
(Increase) decrease in accounts receivable	(125,878)	(162,749)	-
Increase (decrease) in GST payable	(7,189)	-	-
Increase (decrease) in Tax payable	(56,032)	-	-
Net cash inflow (outflow) from operating activities	(1,276,369)	(918,836)	-

10. Contingent Liabilities & Contingent Assets

The company has a deferred tax asset arising from tax losses and fertiliser deferrals amounting to $239,701 (2014: $Nil) which has not been recognised due to uncertainty of any ultimate claim.

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

11. Capital Commitments & Non-Cancellable Operating Leases

At 31 May 2015 there were no other capital commitments and no non-cancellable operating leases. (Farm Purchase 2014: $8,262,250)

SILKS AUDIT CHARTERED ACCOUNTANTS

12. Related Party Transactions

a) The subsidiary paid administration fees of $34,774 (2014: $nil) 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. The amount owing at balance date was $2,791 (2014; $nil)

b) Accounting Services amounting to $6,000 (2014: $nil) 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 (2014: $nil)

c) The company paid Roger Dickie Holdings Limited, in which Roger Dickie, has a controlling interest $150,000 (2014: 239,000) being Project Establishment, brokerage and issue fees as outlined in the Prospectus dated 21 May 2014.

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 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

14. Stock on Hand

	No.	2015	No.	2014
R1 Heifers	111	83,250	-	-
R2 Heifers and Mixed Age Cows	520	920,275	-	-
	631	1,003,525	-	-

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.	2015	No.	2014
Opening Stock	-	-	-	-
Purchases	655	1,293,107	-	-
Sales	(510)	(75,605)	-	-
Increase/decrease in values of cattle		(213,977)		-
Natural Increase	519		-	-
Deaths & Missing	(33)		-	-
Closing Stock	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 valuation of livestock. There is a ready market for dairy livestock in the area, and the livestock is counted and valued annually by an independent expert, Progressive Livestock Limited

16. Comparison of Actual Results to Prospectus Results

The company's operating Expenses were $994,879, broadly in line with the prospectus forecasts of $1,000,051.
The company had projected to have milk revenue of $1,479,000 which was 217,500kg @ $6.80. The actual milk production was 207,216kg, a difference of 4.7% in part because of a particularly harsh start to the winter. The actual price per kilogram of milk solids achieved was $4.68. If the projected price had been achieved on the actual volume, milk proceeds would have been $1,409,069, or $69,931 less than the prospectus forecast.

Material Variances are:	Actual	Prospectus	Comment
a) Stock Sales	75,605	38,740	An increased number of culls were sold at the end of the season
b) Stock Purchases	1,293,107	1,093,500	Additional Heifers were purchased at the end of the season to replace the culls as above
c) Change in Livestock Values	1,003,525	1,093,500	Stock Values have fallen due to the dairy industry downturn - refer Note 13
d) Milk Proceeds	969,056	1,479,000	Refer above. Volume down by 4.7% and price down by 31.2%
e) Rates & Insurance	32,440	26,000	Insurance cost greater than expected
f) Animal Health	111,968	66,560	Issues with lame cows initially purchased and susequently replaced as well as a harsh start to winter
g) Crop Expenses	27,901	42,500	Less cropping done than anticipated
h) Feed Costs	114,828	186,266	Feed used more sparingly because of lower payout
i) Sharemilker Payments	263,986	313,320	Milk production down by 4.7% and value by 31.2%
j) Vehicle Expenses	8,551	25,000	Costs less than anticipated
k) Other Farm Working Expenses	115,750	54,900	Major items are Farm Advisory, $20,548, Cartage $41,950, Administration $34,774
l) Depreciation	51,022	22,500	Building Depreciation not included in prospectus as values haven't decreased
m) Net Working Capital	1,104,006	1,358,986	Working Capital is less than anticipated because of the difficult trading conditions as per Note 13. No dividend is payable because of the resulting loss

SILKS AUDIT CHARTERED ACCOUNTANTS SA

SILKS AUDIT
Chartered Accountants

Celebrating over 100 years of: *Service Integrity Leadership Knowledge and Sincerity*

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INDEPENDENT AUDITORS REPORT

To the Shareholders of Eastbourne Dairy Farm Limited

Report on the Financial Statements
We have audited the financial statements of Eastbourne Dairy Farm Limited on pages 3 to 12 which comprise the statement of financial position as at 31 May 2015 and the 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.

Opinion
In our opinion the financial statements give a true and fair view of the financial position of Eastbourne 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**

CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

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

Whanganui Taranaki Manawatu Central Plateau Auckland