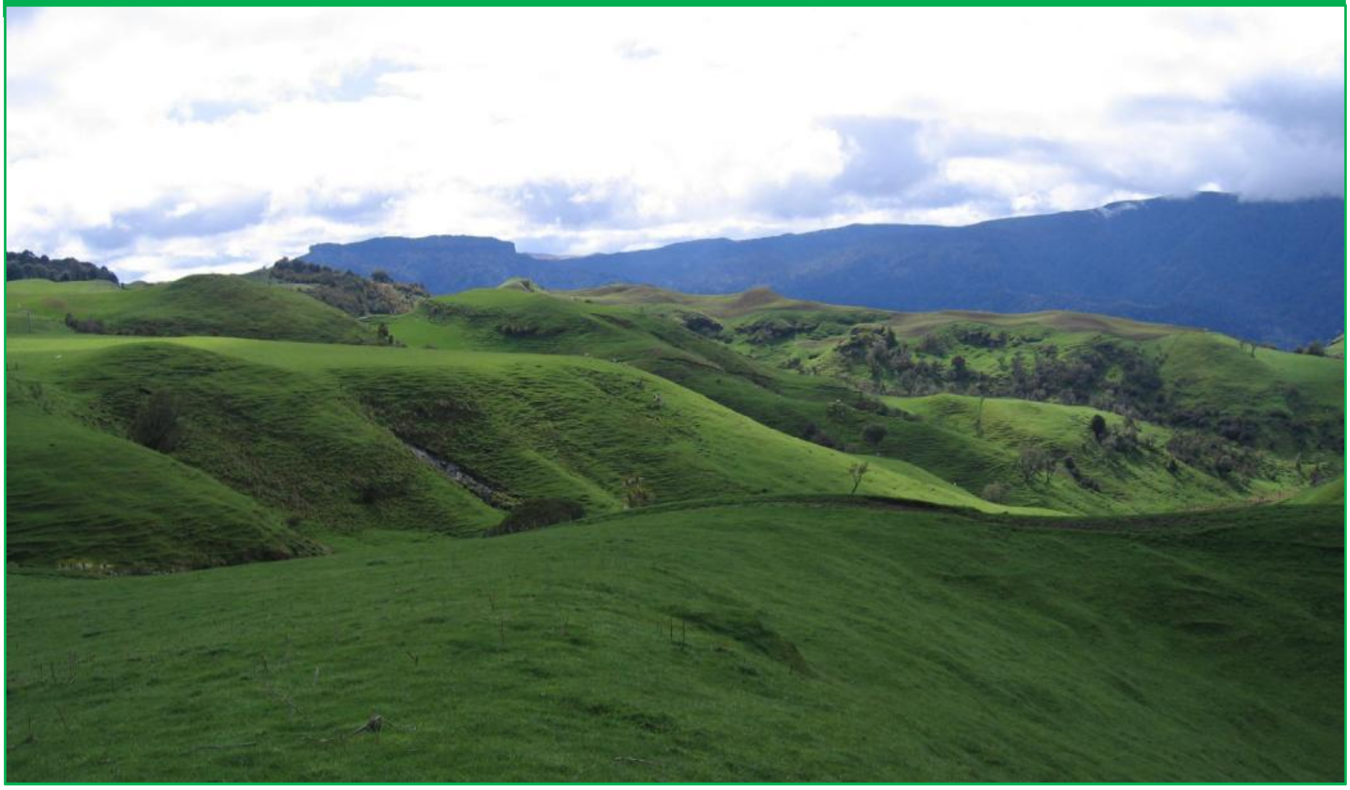
Pukekaka Sheep & Beef Farm Limited

ANNUAL REPORT 2014/2015



ROGER DICKIE

NEW ZEALAND

TABLE OF CONTENTS

DIRECTORS ANNUAL REPORT

Our manager Rob Stratton and his team continue to work hard to improve the farm and its returns. The 2014/2015 season was one with diffident weather conditions to maximise pasture production and stock prices were lower than our budget, these were offset to a great degree by the record lambing percentage.

The mixed aged ewes performed extremely well returning a lambing percentage of 151%, the highest we have had at Pukekaka and a career best for Rob.

Weather extremes continued into summer with dry conditions seeming to becoming the norm over this period. These conditions meant that lambs had to be sold earlier than desired, which resulted in an average price of $81, this was below what we budgeted. However, the great lambing percentage resulted in a larger number of animals being sold bringing us in above budget overall.

The farm once again performed better than was budgeted, with an actual cash surplus for the year of $94,586. This compared to the budgeted cash surplus of $42,074, is a good result. This surplus can be attributed to the strong beef prices being achieved in early 2015 and the great lambing percentage, giving us a greater number of stock units to sell.

The balance of the term loans at the 30th June 2015 was $1,358,566 with an interest rate of 5.66%. Principal repayments recommenced in February 2015. A total of $65,405 of principal was repaid by the 30th June 2015.

Morgans Property Advisors completed a formal valuation of Pukekaka Sheep & Beef Farm Limited on the 30th June 2015. The property was valued at $6,780,000, pleasingly $330,000 higher than 2014. PGG Wrightson Livestock completed a valuation on the livestock at the end of the financial year, which came in at $1,315,004. Summary documents of these valuations are included within this report.

The total capital expenditure for the year was $43,474. This was made up of a loader attachment for the tractor at $4,000, a Honda Pioneer SXS700 (like a 4WD farm bike) $17,565 and tractor repayments of $21,909.

Based on the 2014 / 15 accounts the net asset backing of Pukekaka shares is $1.10 up from 1.03 last year. There was one sale of 25,000 shares during the year at .90 cents per share.

I would like to thank my fellow Directors Jeff Whitlock and Steve Barr for their contributions over the past year. Thanks also go our Manager Rob & Maree Stratton, Jack and staff for all their hard work they have put in over last year.

Farm Update – Current Season

Winter has proven to be very tough with typical Taihape winter with very wet and cold conditions. Rob has managed this period very well, despite going into winter short on grass, the stock have come through in good condition. As the weather continues to warm feed covers are beginning to build.

Rob scanned the ewes in July, the mixed age did 178%, the 2-tooths did 170% and the hoggots scanned 115%, which is the best we have ever scanned. Overall this is a pleasing result.

Leading into the start of lambing in September and calving in October, Rob and his farm hand Jack have been continuing farm maintenance and basic improvements of the property.

Currently this has involved repairing tracks and the removal and replacement of an old totara post fence that was rotten.

For the current financial year the term loans have been amalgamated into one loan. This loan is floating and the present interest rate 4.34%. We have also moved to interest only for this loan until September 2018.

The budget for the 2015/16 year projects a surplus of $110,000.

Future of Pukekaka:
As per the prospectus next year will be year ten of the ownership where the future of the business is to be reviewed.

At last year's AGM we discussed options for the property moving forward. We have obtained estimates as to the market value of the property from real estate agents and will present them to the AGM. As well a party has expressed interest in leasing the property and we expect to have details from them at the AGM. At the same time we will also discuss the present year's budget. Discussions re these matters will be reported in the minutes and no decisions will be made without coming back to all shareholders with detailed options

We wish Rob and his team all the best with this year's lambing and calving.

I look forward to seeing you at the AGM.

Kind Regards

RR Dickie
Director
Pukekaka Sheep & Beef Farm Limited

PUKEKAKA STATION – PERFORMANCE REVIEW

Again this review builds on the history of reviews since 2009. The beef and lamb economic service data is now used with its limitations as discussed previously.

The 2014-15 year features a more steady state for the station and the Taihape district generally. We are getting accustomed to the dry summer/autumns which have now occurred in the last 7 out of 8 years. 2015 was no exception and the pasture growth data shows that again January was particularly poor. We recorded 17kgDM/ha/day at our high country and Rangiwaea sites compared with the long term average of 45. This removes a lot of grass production from our systems, in fact it takes away around 10% of our total annual pasture production at a critical time of the year. It puts a lot of pressure on our lamb finishing systems because a rapid reduction in feed demand is required to match this rapid reduction in pasture supply.

Pukekaka has maintained primarily a store lamb sale policy which accommodates this pasture supply system as well as fundamentally possible. In some years (e.g. 2012) this can be highly profitable but generally it somewhat caps financial performance and this year was a typical year in that regard. The consolation was that the store market really remained flat for the whole season so there was no opportunity to make 'over the odds' returns from store lambs.

On the positive side, the ewe lambing percentage at 154% was exceptional and this meant there were a lot of lambs to sell. Rob has a tremendous ability to manage grass supply and he captured quite a growthy spring with lamb live weight and got those lambs off before they impacted too much on capital stock feeding levels.

Cattle deaths have been an ongoing problem but seem to have eased this year. Rob attributes this in part to just tighter management around cattle classes to specific paddocks but it would be bold to say this problem will not re-emerge.

As telegraphed last year the BVD problem was tackled this year with the cow herd being blood tested and vaccinated. The benefits of this however won't be shown until next year's weaners crop comes through. The deciding factor was a review of the scientific literature which showed that the annual cost of BVD in a beef breeding herd was \$33/cow/yr against an eradication strategy cost of \$18/cow for the first year and about \$8/cow for subsequent years.

Production Parameters Summary 2014/2015

	Pukekaka Station	B & L Provisional
Stocking rate (su/ha)	10.9	10.2
Ewe Lambing %	154	134
Hogget lambs as % total lambs	7.1	4.9
Ave Lamb Price ($/hd)	81	84
Ave Wool Price ($/kg)	3.68	3.52
Wool Production (kg/ssu)	5.2	5.5
Ave Cull Cow ($/hd)	960	861
Calving %	90	83
Deaths & Missing Sheep %	6.4	4.0
Deaths & Missing Cattle %	4.9	1.9

Revenue Summary 2014/2015 - (Not adjusted for stock changes)

	Pukekaka Station	B & L Provisional
Sheep Meat ($/Ssu)	80	90
Cattle ($/Cattle su)	64	93
Wool ($/Ssu)	19	19
Sheep ($/ha)	632	586
Cattle ($/ha)	187	256
Gross farm Income ($/ha)	972	1077
Net Cash Increase ($/ha)	324	297

Expenditure Summary 2014/2015

	Pukekaka Station	B & L Provisional
Wages ($/ha)	159	223
Animal health ($/ha)	36	47
Fertiliser ($/ha)	162	130
Shearing ($/ha)	48	53
Vehicle ($/ha)	21	25
Repairs & Maint ($/ha)	45	67
Administration ($/ha)	45	26
Rates & Insurance ($/ha)	34	37
Feed ($/ha)	16	31
Total farm Working Exp. ($/ha)	647	672
Interest Charges ($/ha)	93	119

Overall Economic Performance - (B & L definition with stock adjustments less depreciation)

	Pukekaka Station	B & L Provisional
Economic Farm Surplus ($/ha)	334	228

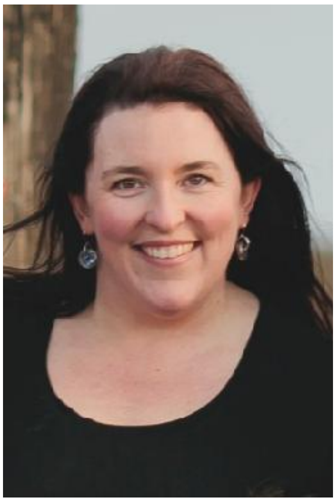
The financial analysis is showing a pattern that is becoming repeatable where the higher stocking rate at Pukekaka comes through with lower overall expenses to give an EFS that is above the farm class average. Remembering that this farm class (4) is easier hill country not the larger harder hill country which Pukekaka in many ways alines more closely with. The numbers provided speak for themselves and certainly convey a very well run sheep and beef operation.

To add to this overall production and financial performance the farm itself is showing obvious improvement year by year. This year a major laneway fencing project was completed to the back flats by Rob and his team.

Having just visited the property in the last few days I can also assure investors that the pasture is again well set-up and lambing is looking promising. No small feat given quite a cold spring following a wet winter. It is particularly heartening to see ewes and cows in good condition which is certainly not the case on the majority of farms in the district at present.

Paul L Hughes BVSc MRCVS MIPIM CMInstD

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.

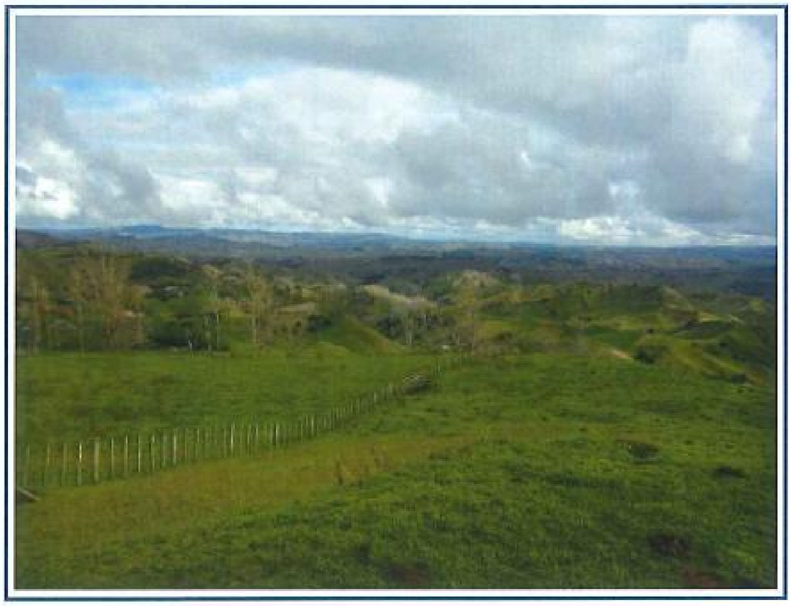
Kate is also very involved with her local community, which includes holding a Governing Board position for Kindergarten Taranaki, vice-president of the local playgroup and teaches swimming to local children in Kakaramea.

Morgans PROPERTY ADVISORS
COMMERCIAL | RESIDENTIAL | RURAL

ASSET VALUATION

PUKEKAKA STATION LIMITED

693 PUKEOKAHU ROAD, TAIHAPE



VALUER: **S A (TONY) JONES**

EFFECTIVE DATE: **30 JUNE 2015**

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PO Box 178, Wanganui 4540
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E admin@morganval.co.nz
www.morgans.co.nz

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www.valgroup.co.nz

1. Valuation Summary

Property Address: **693 Pukeokahu Road, Taihape**

Client's Name:
Pukekaka Station Limited
c/- Roger Dickie Limited
P O Box 43
WAVERLEY 4544

Attention: Ian Trethewey

Introduction:

Since July 2013, we (Morgans Property Advisors) have completed annual inspections of the subject farm property, verified/updated the base information held on the property and provided annual Asset Valuation reports (in abbreviated format).

Following recent email instructions from Ian Trethewey (on behalf of Pukekaka Station Limited) we have re-inspected the property on 30 June 2015, quantified changes that have been made over the last twelve months, inspected the main improvements, and now provide our updated assessment for Asset Valuation Financial Reporting purposes, again in an abbreviated format. This report does not purport to meet with the minimum reporting standards of NZIV nor International Valuation Standards (IVS). We do however advise that a fully complaint report can be made available in the future should you so require.

Valuation (30 June 2015):

Six Million Seven Hundred and Eighty Thousand Dollars ($6,780,000) plus GST (if any), and exclusive of any timber which may exist on the property.

Brief Description:

A larger scale, high altitude hill country sheep and beef property with a good balance of easy/steeper contoured land. The property includes two occupied dwellings, the investor's house, worker's cottage, shearers' quarters, large woolshed/covered yards complex, general farm buildings, water supply, fencing and good standard of tracking as main improvements.

Location on both sides of Pukeokahu Road, some 26 km east of Taihape Township in an area traditionally regarded as being 'summer safe', with the eastern boundary following the Rangitikei River.

Main changes to the property since the 2014 report include the completion of the extension to the lane system from the sheds to the flats (both tracking and fencing), and concreting and metal to the pens of the main sheep yards around the woolshed. Additional repairs and maintenance to fencing have been carried out where required, together with further upgrades to yards, water and tracking.

The summer was again dry but due to the good management the stock policy and numbers essentially have not been changed. Emphasis is on maintaining winter numbers to have enough stock on hand in the spring to control the pasture growth and therefore quality.

Overall, management appears above average. Stock appeared in good condition and the land/improvements generally well maintained.

Purpose of Valuation:
Asset Valuation for Financial Reporting Purposes

Date of Inspection:
30 June 2015

Pawson Property Solutions Limited

S A (Tony) Jones
Registered Valuer, ANZIV, MPINZ,
B. Com, Post Grad. Dip Com (Val)

PGG Wrightson

18 Manchester Street
Feilding 4702
Private Bag 10002
Feilding 4740
Telephone 06 3230050
Facsimile 06 323 6329

6th July 2015

Pukekaka Station
C/- R Stratton
Pukeokahu Road
RD 3
Taihape 4793

Dear Sir/Madam

Re: Valuation of Livestock/Chattels

In accordance with the agreement to value livestock and/or chattels, and subject to the terms of that agreement, we inspected the stock and/or chattels described below to establish their market value on 30th June 2015

We report as follows:

Tally	Livestock Description [e.g. Class, breed, age, sex]	Value per head $ (excluding GST)	Total (excluding GST)
1471	2th Ewes RWR 24/4/15	$136.00	200,056.00
3574	MA Ewes RWR 24/4/15	$132.00	471,768.00
1605	Ewe Hgts RWR 1/5/15	$100.00	160,500.00
52	MA Rams	$150.00	7,800.00
54	R2yr Angus Heifers VIC Angus 23/12/14	$1,000.00	54,000.00
221	MA Cows VIC Angus 3/1/15	$,1030.00	227,630.00
125	R1yr Angus Steers	$800.00	100,000.00
120	R1yr Angus Heifers	$550.00	66,000.00

11	MA Angus Bulls	$2,000.00	22,000.00
1	2yr Angus Bull	$5,250.00	5,250.00
			$1,315,004.00

In arriving at our opinion as to market value, consideration has been given to recent sales of comparable livestock and chattels.

This valuation has been prepared for the sole use of the addressee only.

Thank you for your instructions in this matter. Should any portion of this report require further description or discussion, please contact the undersigned directly.

Please note

- That the units on hand were verified and counted.
- That the livestock agent is independent of the farm.
- That from my observation of the livestock they appeared to be in good health and condition.

Yours faithfully

Phil Transom

Livestock Agent

Disclaimer:

All details and descriptions as to livestock and/or chattels referred to have not been independently verified by PGG Wrightson. PGG Wrightson takes reasonable care to ensure accuracy and reliability in the information we provide you. However PGG Wrightson does not warrant that the information will be technically correct, reliable or accurate or that such information will satisfy any industry practice or statutory, regulatory or prudential requirements.

PGG Wrightson, its employees and agents give no representation or warranty concerning the information's accuracy (including, but not limited to the accuracy or completeness of details and descriptions of livestock and chattels), quality or fitness for any purpose. PGG Wrightson is not responsible for the results of any action taken either by you or any third party in reliance on the information, or on the basis of calculations performed by PGG Wrightson, nor for errors or omissions however occurring. Buyers, advisers and all other persons viewing or dealing with the livestock and chattels must make their own assessment and judgement on the livestock and chattels.

PGG Wrightson is not liable in any way (including negligence, tort and equity) to you or any other person in connection with this valuation for any loss, costs, loss of income, profits, savings or goodwill or for any indirect or consequential loss or special or exemplary damages. To the full extent permitted by law, PGG Wrightson expressly excludes all representations and warranties, express or implied.

PUKEKAKA SHEEP & BEEF FARM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

SILKS AUDIT
SA
CHARTERED ACCOUNTANTS

Pukekaka Sheep & Beef Farm Limited

DIRECTORY

Nature of Business	Sheep and Beef Farming in the North Island of New Zealand
I R D Number	94-128-161
Date of Incorporation	18/05/2006
Company Number	1814737
Registered Office	87 Weraroa Road Waverley
Securities Registrar	Roger Dickie (N Z) Limited S H 3 Waverley
Directors	R R Dickie S J Barr J H Whitlock
Accountants	Markhams Waverley Limited Waverley
Solicitors	Kensington Swan Wellington Horsley Christie Wanganui
Auditors	Silks Audit Chartered Accountants Wanganui
Bankers	Bank of New Zealand Wanganui

Pukekaka Sheep & Beef Farm Limited

DIRECTORS REPORT

FOR THE YEAR ENDED 30 JUNE, 2015

The business of the company through its subsidiary Pukekaka Station Ltd is Sheep and Beef Farming.

	THIS YEAR	***LAST YEAR***
The operating surplus (deficit) of the group for the year ended 30th June 2014 was	95,112	204,738
Taxation charge for the year was	-	-
Retained Earnings at 1st July 2014 were	(155,729)	(360,467)
Retained Earnings at 30 June 2015	(60,617)	(155,729)

It is not proposed to make any transfer to reserves.

The state of the company's affairs at 30th June 2015 was:-

Assets totalled	$ 7,596,469	$ 7,604,716
and were financed by		
Shareholders equity of	6,139,383	6,044,271
and liabilities of	1,457,086	1,560,445
	$ 7,596,469	$ 7,604,716

The Board of Directors present their annual report, including the financial statements of the Company for the year ended 30 June 2015.

Directors interests:

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

Directors Fees were paid to S J Barr amounting to $1,725. No other remuneration was paid to directors during the year.

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

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

Administration Services amounting to $15,256 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.

Accounting Services amounting to $7,075 were provided to the Group by Markhams Waverley Ltd in which Jeff Whitlock, a director, is also a director. The services were provided on normal commercial terms

There were no donations made by the company during the year

No employees or former employees were paid in excess of $100,000 in the year

For and on behalf of the Board of Directors

Director
22 September 2015

Director
22 September 2015

SILKS AUDIT CHARTERED ACCOUNTANTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE, 2015

	Notes	GROUP 2015 $	PARENT 2015 $	GROUP 2014 $	PARENT 2014 $
Operating Revenue					
Stock Proceeds		840,984	-	741,399	-
Less Stock Purchases		(38,218)	-	(206,389)	-
Change in Livestock Values		(57,846)	-	296,790	-
Gross Income from Livestock		744,920	-	831,800	-
Wool & Other Sales		116,491	-	131,194	-
Dividends Received		2,713	-	207	-
Interest Received		-	-	14	-
Revaluation of Investments		-		1,241	
Rebates		2,271	-	-	-
		866,395	-	964,456	-
Operating Expenses					
Rates & Insurance		33,056	-	32,362	-
Interest & Finance Charges		93,289	-	99,501	-
Animal Health		37,009	-	39,747	-
Audit Fees		9,564	-	9,020	-
Cropping & Cultivation		34,463	-	22,336	-
Directors Fees		-	-	1,725	-
Shearing Costs		52,416	-	68,146	-
Wages		159,978	-	147,940	-
Vehicle Expenses		20,835	-	29,427	-
Fertiliser		158,529	-	136,970	-
Repairs & Maintenance		43,848	-	52,673	-
Other Operating Expenses		95,388	-	97,391	-
Depreciation	8	32,908	-	22,480	-
		771,283	-	759,718	-
Operating Surplus (Deficit) before Tax		95,112	-	204,738	-
Provision for Taxation	4	-	-	-	-
Operating Surplus (Deficit) after Taxation		95,112	-	204,738	-
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		95,112	-	204,738	-

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE, 2015

	SHARE CAPITAL $	RETAINED EARNINGS $	TOTAL EQUITY $
30 June 2015 - Group			
Total Comprehensive Income for Year	-	95,112	95,112
Equity at Beginning of Year	6,200,000	(155,729)	6,044,271
Equity at End of Year	6,200,000	(60,617)	6,139,383
30 June 2015 - Parent			
Total Comprehensive Income for Year	-	-	-
Equity at Beginning of Year	6,200,000	(260,207)	5,939,793
Equity at End of Year	6,200,000	(260,207)	5,939,793
30 June 2014 - Group			
Total Comprehensive Income for Year	-	204,738	204,738
Equity at Beginning of Year	6,200,000	(360,467)	5,839,533
Equity at End of Year	6,200,000	(155,729)	6,044,271
30 June 2014 - Parent			
Total Comprehensive Income for Year	-		-
Equity at Beginning of Year	6,200,000	(260,207)	5,939,793
Equity at End of Year	6,200,000	(260,207)	5,939,793

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

SILKS AUDIT CHARTERED ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE, 2015

		GROUP 2015 $	PARENT 2015 $	GROUP 2014 $	PARENT 2014 $
Current Assets					
Taxation Refund Due		250		17	
Cash at Bank	6	94,586		-	
Accounts Receivable		26		4,147	
Wool on Hand		-		33,541	
Livestock on Hand	7	1,315,004		1,372,850	
Loan to Subsidiary			5,939,792		5,939,792
Total Current Assets		1,409,866	5,939,792	1,410,555	5,939,792
Non Current Assets					
Shares		38,693		34,908	
Shares in Subsidiary			1		1
Property, Plant & Equipment	8	6,147,910		6,159,253	
Total Non-Current Assets		6,186,603	1	6,194,161	1
Total Assets		7,596,469	5,939,793	7,604,716	5,939,793
Current Liabilities					
Loans - Current Portion	9	185,684	-	86,770	-
Bank Overdraft		-	-	13,915	-
Accounts Payable		55,043	-	58,844	-
Total Current Liabilities		240,727	-	159,529	-
Non-Current Liabilities					
Tractor Hire Purchase	9	9,037	-	30,112	-
Bank of New Zealand Term Loan	9	1,207,322	-	1,370,804	-
Total Non-Current Liabilities		1,216,359	-	1,400,916	-
Equity		6,139,383	5,939,793	6,044,271	5,939,793
Total Liabilities & Equity		7,596,469	5,939,793	7,604,716	5,939,793

For and on behalf of the board

Director
22 September 2015

Director
22 September 2015

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

CASHFLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE, 2015

	Notes	GROUP 2015 $	PARENT 2015 $	GROUP 2014 $	PARENT 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from Customers		993,265	-	867,840	-
Interest & Dividends		2,713	-	221	-
Income Tax		17		50,672	
GST		9,253	-	26,864	-
		1,005,248	-	945,597	-
Cash was applied to:					
Operating Expenses		(692,215)	-	(837,652)	-
Interest Paid		(93,289)	-	(95,500)	-
Taxation Paid		(250)	-	-	-
GST		-		-	
		(785,754)	-	(933,152)	-
Net cash inflow (outflow) from operating activities	11	219,494	-	12,445	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash receipts					
Sale of Fixed Assets		3,478	-	27,750	-
Cash was applied to:					
Loan to Subsidiary			-		-
Purchase of Fixed Assets		(25,043)	-	(111,948)	-
Purchase of Investments		(3,785)	-	-	-
Preliminary Expenses			-		-
		(28,828)	-	(111,948)	-
Net cash inflow (outflow) from investing activities		(25,350)	-	(84,198)	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Loan from Subsidiary		-	-	-	-
Tractor Loan		-	-	71,838	-
Share Capital Subscribed		-	-	-	-
		-	-	71,838	-
Cash was applied to:					
Loan Repayment		(85,643)	-	(21,488)	-
		(85,643)	-	(21,488)	-
Net cash inflow (outflow) from financing activities		(85,643)	-	50,350	-
Net increase (decrease) in cash held		108,501	-	(21,403)	-
Balance at beginning of year		(13,915)	-	7,488	-
Balance at end of year 30 June 2015	6	94,586	-	(13,915)	-

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

SILKS AUDIT CHARTERED ACCOUNTANTS

1. Summary of Significant Accounting Policies

Reporting Entity

Pukekaka Sheep & Beef Farm Ltd is a company registered under the Companies Act 1993.

The group consists of the Parent company Pukekaka Sheep & Beef Farm Ltd, which is an issuer, and its wholly owned subsidiary Pukekaka Station Ltd.

Pukekaka Sheep & Beef 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 this Act.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis are followed by the group, with the exception that certain assets as specified below have been revalued.

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with New Zealand equivalents to International Financial Reporting Standards. The financial statements also comply with International Financial Reporting Standards. For this purpose the company has designated itself as profit-oriented.

The financial statements comprise the consolidated financial statements of the group and the separate financial statements of the parent company.

The information is presented in New Zealand dollars.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of profit and the financial position have been applied.

(a) Basis of Consolidation

The consolidated financial statements include the parent company and its subsidiaries accounted for using the purchase method. All significant inter-company transactions are eliminated on consolidation. In the parent company's separate financial statements investments in subsidiaries are stated at cost less any impairment losses.

(b) Property, Plant and Equipment & Motor Vehicles

The company has these classes of property, plant and equipment:
- Freehold Land;
- Freehold Buildings;
- Plant and equipment;
- Motor Vehicles

All property plant and equipment is initially recorded at cost.

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

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

Major Depreciation Periods are:

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

(c) Impairment

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

SILKS AUDIT CHARTERED ACCOUNTANTS

(d) Share Capital

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

(e) Taxation

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

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

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

Livestock on hand are valued at Market Value less cost of sale.

(f) 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.

(g) 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.

(h) 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.

(i) Investments

Investments are recorded at market value.

(j) 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.

(k) Revenue

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

(l) 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.

(m) Employee Entitlements

Liabilities for annual leave, sick leave and long-service leave are accrued and recognised in the balance sheet.

Annual leave and sick leave are recorded at the undiscounted amount expected to be paid for the entitlement earned. For sick leave this is based on the unused entitlement accumulated at balance date and expected to be utilised in the future.

For long-service leave the liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

(n) 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.

SILKS AUDIT CHARTERED ACCOUNTANTS

(o) Wool on Hand

Wool on Hand is accounted for at fair value less cost of sale.

(p) Goodwill

Pukekaka Sheep & Beef Farm Ltd contracted to purchase the subsidiary before trading commenced at a notional cost of $1.
Net tangible assets were nil

Changes in Accounting Policies

There has been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years

2. Issued Shares

	Group 2015	Parent 2015	Group 2014	Parent 2014
Ordinary Shares Issued	6,300,000	6,300,000	6,300,000	6,300,000
Opening Paid Up Capital	6,200,000	6,200,000	6,200,000	6,200,000
Further Capital Paid Up			-	-
Closing Paid Up Capital	6,200,000	6,200,000	6,200,000	6,200,000

All ordinary shares have been issued. There are 100,000 unpaid ordinary shares (2014: 100,000). All shares have equal voting rights and share equally in dividends and surplus on winding up. The shares have no par value.

3. Retained Earnings

	Group 2015	Parent 2015	Group 2014	Parent 2014
Balance as at 1 July 2014	(155,729)	(260,207)	(360,467)	(260,207)
Operating surplus (deficit) attributable to the shareholders of the parent company.	95,112	-	204,738	-
Balance as at 30 June 2015	(60,617)	(260,207)	(155,729)	(260,207)

4. Taxation

	Group 2015	Parent 2015	Group 2014	Parent 2014
Net profit/(Loss) for the year	95,112	-	204,738	-
Prima facie Income tax at 28%	26,631	-	57,327	-
Add (subtract) taxation effect of permanent & timing differences	(26,631)	-	(57,327)	-
Non-deductible Write-off of Preliminary Expenses		-		-
Other	-	-	-	
Income Tax Expenses	-	-	-	-
The income tax expense is represented by:				
Current Tax	-	-	-	-
Deferred Tax	-	-	-	-
Income Tax Expenses	-	-	-	-

There are tax losses and unrecognised timing differences to be carried forward of $199,682 (2014: $293,315) for set-off against future assessable income subject to Inland Revenue Department Assessment.

5. Imputation Credit Account

	Group 2015	Parent 2015	Group 2014	Parent 2014
Balance as at 1 July 2014	185,834	-	236,425	-
Tax Refunded	(17)		(50,689)	
Tax Paid	1,230	-	98	-
Balance as at 30 June 2015	187,047	-	185,834	-

6. Cash and Cash Equivalents

	Group 2015	Parent 2015	Group 2014
Bank of New Zealand Cheque Account	94,586	-	(13,924)
Bank of New Zealand Call Account	-	-	9
Balance as at 30 June 2015	94,586	-	(13,915)

The overdraft is secured by a first mortgage over the farm property and perfected security interest in all present and after acquired property, including livestock, of Pukekaka Station Limited.
The limit is $400,000 and the interest rate at year end is 9.95%

7. Stock on Hand

	No.	Group 2015	Parent 2015	No.	Group 2014
Ewe Hoggets	1605	160,500	-	1643	197,160
2th Ewes	1471	200,056	-	580	87,000
MA Ewes	3574	471,768	-	4467	625,380
Breeding Rams	52	7,800	-	74	7,980
R1 Steers	125	100,000	-	98	63,700
R1 Heifers	120	66,000	-	109	56,680
R2 Steers	0	-	-	3	3,000
R2 Heifers	54	54,000	-	52	53,950
MA Cows	221	227,630	-	230	248,500
Bulls	12	27,250	-	13	29,500
		1,315,004	-		1,372,850

Stock is stated at market value net of selling costs as at 6 July 2015 based on a valuation by PGG Wrightson who are specialist livestock brokers.

Reconciliation of Numbers - Sheep

Opening Stock	6764	5584
Purchases	65	931
Sales	-8054	-6491
Natural Increase	8362	7136
Deaths & Missing	-435	-396
Closing Stock	6702	6764

Reconciliation of Numbers - Cattle

Opening Stock	505	353
Purchases	3	94
Sales	-205	-123
Natural Increase	254	219
Deaths & Missing	-25	-38
Closing Stock	532	505

8. Property, Plant & Equipment

	Land	Buildings	Plant & Equipment	Motor Vehicles
1 July 2014:				
Cost Price	5,354,484	791,748	124,627	165,669
Accumulated Depreciation/Impairment	-	(136,666)	(83,370)	(57,239)
Net Book Value	5,354,484	655,082	41,257	108,430
Additions			4,000	21,043
Disposals				(3,478)
	5,354,484	655,082	45,257	125,995
Depreciation		4,954	7,468	22,344
Impairment Loss Recovered				
Loss/(Gain) on Sale				(1,858)
Net Book Value	5,354,484	650,128	37,789	105,509
30 June 2015:				
Cost Price	5,354,484	791,748	128,627	171,619
Accumulated Depreciation	-	(141,620)	(90,838)	(66,110)
Net Book Value	5,354,484	650,128	37,789	105,509

The parent company, Pukekaka Station Limited, does not own any property, plant and equipment

8. Property, Plant & Equipment (Continued)

	Land	Buildings	Plant & Equipment	Motor Vehicles	Total
1 July 2013:					
Cost Price	5,354,484	791,748	107,679	120,169	6,374,080
Accumulated Depreciation/Impairment		(131,370)	(74,685)	(70,490)	(276,545)
Net Book Value	5,354,484	660,378	32,994	49,679	6,097,535
Additions			16,948	95,000	111,948
Disposals				(27,750)	(27,750)
	5,354,484	660,378	49,942	116,929	6,181,733
Depreciation		5,296	8,685	17,342	31,323
Impairment Loss Recovered					-
Loss/(Gain) on Sale				(8,843)	(8,843)
Net Book Value	5,354,484	655,082	41,257	108,430	6,159,253
30 June 2014:					
Cost Price	5,354,484	791,748	124,627	165,669	6,436,528
Accumulated Depreciation	-	(136,666)	(83,370)	(57,239)	(277,275)
Net Book Value	5,354,484	655,082	41,257	108,430	6,159,253

9. Non Current Liabilities

	Group 2015	Parent 2015	Group 2014	Parent 2014
B N Z Term Loan - Current	164,609	-	66,532	-
Tractor Hire Purchase - Current	21,075	-	20,238	-
	185,684	-	86,770	-
B N Z Term Loan - Term	1,207,322	-	1,370,804	-
Tractor Hire Purchase - Term	9,037	-	30,112	-
	1,216,359	-	1,400,916	-
Total	1,402,043	-	1,487,686	-
Repayable as follows:				
Less than 1 Year	185,684	-	86,770	-
Between 1 - 2 Years	183,200	-	187,225	-
Between 2 - 5 Years	576,166	-	567,083	-
Greater than 5 years	456,993	-	646,608	-
	1,402,043	-	1,487,686	-

a) The bank loans and overdraft are secured by a first mortgage over the farm property and perfected security interest in all present and after acquired property, including livestock, of Pukekaka Station Limited. The loan interest rates are 5.65-5.66%pa.

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

c) The Tractor Hire Purchase is secured over the tractor. **Monthly** repayments are $1,826 until November 2016.

10. Financial Instruments

Credit risk

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

The Issuing Group manages its exposure to credit risk

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

Concentrations of credit risk

The group does not have any significant concentrations of credit risk.

Currency and Interest rate risk

Group entities have 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.

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Liquidity Risks

Liquidity risk represents the Issuing Groups ability to meet its financial obligations on time. For the most part the Company generates sufficient cash flows from its operating activities to make timely payments. It does however maintain committed credit lines to cover any shortfalls. The Issuing Group has a total bank overdraft facility of $400,000. At balance date, $nil (2014: $13,924) of this has been borrowed by the Company.

Liquidity Forecasts

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

Interest Rate Risk

The Issuing Group has exposure to interest rate risk to the extent that it borrows for a fixed term at floating. The Issuing Group manages its cost of borrowing by regularly reviewing the proportion of borrowings at floating rate, and the proportion of fixed rate borrowing that is repriced in any year.

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

	Group 2015	Parent 2015	Group 2014	Parent 2014
Net Surplus/(Deficit) after tax for the year	95,112	-	204,736	-
Add (less) non cash items:-				
- Investment Revaluations	-	-	(1,241)	-
- Gain on Sale of Fixed Assets	(1,858)	-	(8,843)	-
- Depreciation	34,766	-	31,323	-
	128,020	-	225,977	-
Add (less) movement in other working capital items:				
Increase (decrease) in accounts payable	(3,801)	-	13,213	-
(Increase) decrease in livestock on hand	57,846	-	(296,790)	-
(Increase) decrease in accounts receivable	4,121	-	31,974	
Increase (decrease) in Taxation Provision	(233)	-	50,673	-
(Increase) decrease in Wool on Hand	33,541		(12,602)	
Net cash inflow (outflow) from operating activities	219,494	-	12,445	-

12. Contingent Assets and Contingent Liabilities

The company has a deferred tax asset arising from tax losses and fertiliser deferrals amounting to $199,682 (2014: $293,315) which has not been recognised due to uncertainty of any ultimate claim.

At 30 June 2015 the Company has no other significant contingent assets or contingent liabilities. (2014: $Nil)

13. Capital Commitments & Non-Cancellable Operating Leases

At 30 June 2015 there were no significant capital commitments or non-cancellable operating leases entered into. (2014: $Nil)

14. Events After Balance Date

There were no significant events occurring after balance date.

15. Investment in Subsidiary

	2015	2014	Business
Pukekaka Station Limited	100%	100%	Sheep and Beef Farming

The Company owns 100 ordinary shares in Pukekaka Station Limited

16. Related Party Transactions

a) The subsidiary paid administration fees of $15,256 (2014 $6,788) to Roger Dickie (NZ) Ltd, in which Roger Dickie, a director, has a controlling interest. This amount includes reimbursement payments to S J Barr, a director, who previously invoiced the company directly (2014: $1,725) The amount owing at balance date was $1,395 (2014: $201)

b) Accounting Services amounting to $7,075 (2014: $6,820) were provided to the Group by Markhams Waverley Limited in which Jeff Whitlock, a director, is also a director and shareholder. The amount owing at balance date was $322 (2014: Nil)

c) The subsidiary company has an advance from the parent of $5,939,793 (2014: $5,939,793). No interest has been charged on this advance

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

17. Significant Judgements & Uncertainties

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

SILKS AUDIT CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITORS REPORT

To the Shareholders of Pukekaka Sheep and Beef Farm Limited

Report on the Financial Statements
We have audited the financial statements of Pukekaka Sheep and Beef Farm Limited and group on pages 3 to 12 which comprise the consolidated and separate statement of financial position as at 30 June 2015 and the consolidated and separate statement of financial performance, statement of movements in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements
The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or any of its subsidiaries.

Opinion
In our opinion the financial statements give a true and fair view of the financial position of Pukekaka Sheep and Beef Farm Limited as at 30 June 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 30 June 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: **22 September 2015**