

Physical and Financial Details
of

Nui Dairies Ltd

165ha at Mataura Island,
Eastern Southland



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1. Introduction

The property of Nui Dairies Ltd was purchased in June 2008 by an equity partnership with the intention of selling off 50ha which was being used as runoff land at the time. Approximately 10ha of the runoff was retained, resulting in further equity being required to reduce debt levels and allow future growth.

**A 14.07% share is now available in this equity partnership.
The vendor is asking \$240,000 for this share.**

The company has a 67% debt to asset ratio. The dairy unit (160ha) purchase price is \$27/kgMS based on 155,000 kgMS for dairy land and shares or \$32,192/ha for dairy land and shares.

2. Property Description

2.1 Location

The property is located along Duthie Road at Matakura Island, approximately 20km from Wyndham, 47km from Gore, and 47km from Invercargill.



2.2 Land Use

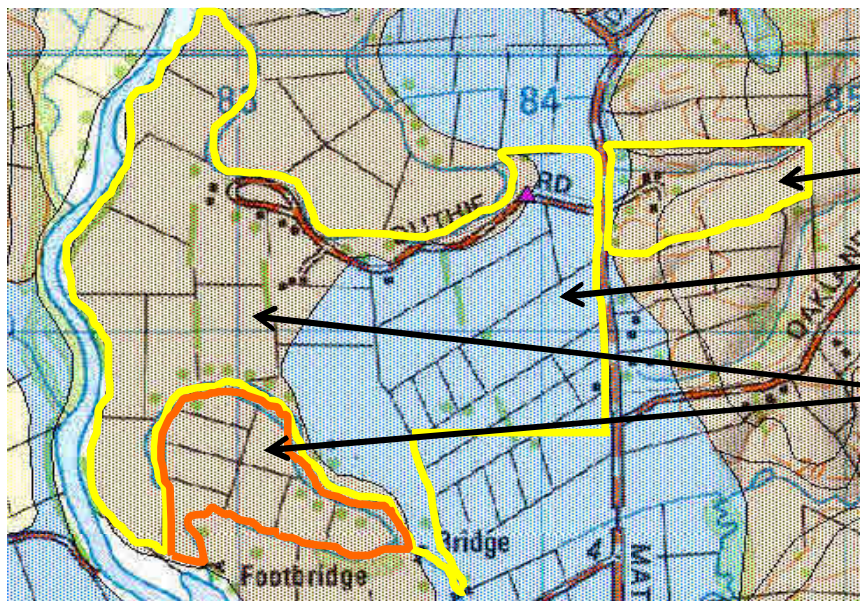
132ha freehold and 33ha leased from Environment Southland. Of the total 165 ha, 160 ha is classed as effective milking platform.

2.3 Farm Contour, Layout and Subdivision

The majority of the property is flat in contour with the exception of 17.5ha which is rolling. The farm is subdivided into 54 main paddocks (as per the attached map), of an average size of 2.8ha, all of which have troughs connected to the main water supply. Fencing on the property is adequate with the majority of fences being two wire electric.

2.4 Soils

The soils are predominantly loamy silts with the three main soil types being, Charlton, Jacobstown, and Tukurau. These soils are associated with regular rainfall and are not prone to drying out.



Tukurau – high plant available water, high producing

Jacobstown – depth rooting depth, stone free

Charlton – deep potential rooting depth, stone free

2008 soil test results:

| Date | | pH | P | K | S | Ca | Mg | Na |
|-----------|---------|-----|----|---|----|----|----|----|
| June 2008 | Average | 6.0 | 28 | 9 | 11 | 10 | 23 | 8 |

2008 soil test results show that P levels range from 20 to 41, the target being 30 and the pH ranges from 5.7 to 6.3, with the optimum range being 5.8 to 6.

Soil tests will be taken every winter and a fertiliser plan worked out accordingly.

2.5 Buildings and Facilities

The buildings on farm consist of a 29 aside herringbone cowshed with meal feeders, covered yards converted into a calf shed, wintering barn, two haysheds.

The main homestead consists of four bedrooms and an attached double garage. The property also consists of a three bedroom cottage with a double garage. Housing on farm is adequate for the labour system and is in reasonable condition.



2.6 Lanes and Shelter

The lanes on farm are of a good standard, and only maintenance required. The lanes are 5 metres wide and adequate for the proposed numbers of cows.

There is sufficient shelter on farm at present.

2.7 Livestock

The budget is to milk 500 predominantly jersey cows at peak. Approximately 200 cows will be milked once a day throughout the season. The farm currently owns 420 mixed age cows, 132 R2 heifers, and 105 R1 heifers. No further capital stock will need to be purchased.

2.8 Wintering

Currently 13.5ha is sown in kale. It has been budgeted that 300 cows will be wintered on farm, and the balance grazed out at an average of \$24/hd/week. Calves are grazed off farm from February and return as in milk cows.



2.9 Plant & Machinery

The farm currently owns basic plant and equipment adequate for operating the farm along with the following major plant items - Massey Ferguson tractor, 1994 Mitsubishi ute, Yamaha 2x4 motorbike, Yamaha Ag100 two wheel motorbike, and tandem feed wagon.

3. Milk Production

| | 06/07 | 07/08 | 08/09 | Potential |
|------------------|---------|---------|---------|-----------|
| Total area | 201 | 201 | 201 | 165 |
| Milking Platform | 150 | 150 | 150 | 160 |
| Cows Milked | 580 | 570 | 500 | 500 |
| KgMS | 155,386 | 150,251 | 138,360 | 150,000 |

08/09 – First season of current ownership. Midway through the season 36ha of land previously used as runoff was sold, which reduced the ability to carry youngstock and make supplements.

Potential production on 160 effective hectares, managed as a milking platform, using a pasture based system with little to no reliance on brought in feed from outside the farm boundaries.

4. Forecast Financial Performance

The forecast financial performance is detailed in the financial budgets.

Summarised capital and financial analysis:

| Capital | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Land & Shares | \$ 4,555,557 | \$ 4,266,480 | \$ 4,266,480 | \$ 4,266,480 | \$ 4,266,480 |
| R 1 Heifers | \$ 52,500 | \$ 65,400 | \$ 65,400 | \$ 65,400 | \$ 65,400 |
| R 2Yr Heifers | \$ 118,800 | \$ 118,600 | \$ 122,400 | \$ 122,400 | \$ 122,400 |
| M A Cows | \$ 504,000 | \$ 633,000 | \$ 628,500 | \$ 628,500 | \$ 628,500 |
| Total Value Of Stock | \$ 675,300 | \$ 817,000 | \$ 816,300 | \$ 816,300 | \$ 816,300 |
| Plant/Mach | \$ 80,000 | \$ 80,000 | \$ 80,000 | \$ 80,000 | \$ 80,000 |
| Total debt Inc. Current A/c on June 1 | \$ 3,345,175 | \$ 3,253,708 | \$ 3,333,294 | \$ 3,264,357 | \$ 3,191,124 |
| Equity | \$ 1,965,682 | \$ 1,909,772 | \$ 1,829,486 | \$ 1,898,423 | \$ 1,971,656 |
| Total Assets | \$ 5,310,857 | \$ 5,163,480 | \$ 5,162,780 | \$ 5,162,780 | \$ 5,162,780 |
| Term Loan Interest Paid | \$ 213,825 | \$ 213,825 | \$ 213,825 | \$ 213,825 | \$ 213,825 |
| Average cost of interest | 6.4% | 6.6% | 6.4% | 6.6% | 6.7% |

| Financial Analysis | | | | | |
|-----------------------------------|----------|--------|----------|----------|----------|
| Return on assets B4 tax & Int | 5.1% | 2.0% | 4.1% | 4.3% | 4.3% |
| Percentage debt to assets | 63% | 63% | 65% | 63% | 62% |
| Return on equity after Int | 3.0% | -5.2% | 0.2% | 0.4% | 0.5% |
| Estimated appreciation as an ROE* | -2.8% | -4.2% | 3.8% | 3.9% | 3.8% |
| Estimated total return on equity | 0.2% | -9.4% | 4.0% | 4.3% | 4.4% |
| Expenses%GFI | 69% | 71% | 62% | 62% | 62% |
| EFS/ha | \$ 1,630 | \$ 626 | \$ 1,270 | \$ 1,331 | \$ 1,358 |
| Interest as % of GFI | 28.2% | 28.8% | 25.9% | 26.6% | 26.9% |

Equity in the above summarised capital and financial analysis table does not include tax losses, accounts receivable/payable, and shareholder current accounts which are incorporated in the share valuation.

The projected change in capital value is calculated based on the sale of excess Fonterra shares at \$5.57 in July 2009 and the decrease in share value as announced by Fonterra at \$4.52. Any changes in the property value due to other market forces have been excluded from this analysis. Potential investors are encouraged to make their own assessment of potential additional capital uplift in addition to those driven by production increases.



| | 2010 | 2011 | 2012 | 2013 | 2014 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Income | | | | | |
| Milk Income | \$ 688,620 | \$ 658,695 | \$ 750,947 | \$ 749,518 | \$ 749,518 |
| Stock Sales | \$ 55,175 | \$ 43,448 | \$ 43,448 | \$ 43,448 | \$ 43,448 |
| Total Income | \$ 743,795 | \$ 702,143 | \$ 794,394 | \$ 792,966 | \$ 792,966 |
| Stock Purchases & Bull Lease | \$ 4,375 | \$ 8,410 | \$ 4,410 | \$ 4,410 | \$ 4,410 |
| Income Less Stock Purchases & Bull Lease | \$ 739,420 | \$ 693,733 | \$ 789,984 | \$ 788,556 | \$ 788,556 |

| | | | | | |
|------------------------------|---------|---------|---------|---------|---------|
| Total Budgeted KGMS | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 |
| Avg Income \$/kgMS | \$ 4.96 | \$ 4.68 | \$ 5.30 | \$ 5.29 | \$ 5.29 |
| Budget payout \$/kgMS | \$ 4.55 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 |

| Expenses | | | | | |
|--|-------------------|--------------------|-------------------|-------------------|-------------------|
| Animal Health | \$ 20,400 | \$ 18,800 | \$ 18,800 | \$ 18,800 | \$ 18,800 |
| Breeding Expenses | \$ 14,811 | \$ 14,814 | \$ 14,814 | \$ 14,814 | \$ 14,814 |
| Electricity | \$ 10,200 | \$ 10,200 | \$ 10,200 | \$ 10,200 | \$ 10,200 |
| Feed | \$ 156,207 | \$ 142,808 | \$ 142,808 | \$ 142,808 | \$ 142,808 |
| Fertiliser & Lime | \$ 46,862 | \$ 46,862 | \$ 46,862 | \$ 46,862 | \$ 46,862 |
| Shed Expenses | \$ 4,408 | \$ 4,408 | \$ 4,408 | \$ 4,408 | \$ 4,408 |
| Freight & Cartage | \$ 4,065 | \$ 3,755 | \$ 3,755 | \$ 3,755 | \$ 3,755 |
| Wages | \$ 134,882 | \$ 134,882 | \$ 134,882 | \$ 134,882 | \$ 134,882 |
| Regrassing | \$ 9,516 | \$ 9,516 | \$ 9,516 | \$ 9,516 | \$ 9,516 |
| Cropping | \$ 5,121 | \$ 5,121 | \$ 5,121 | \$ 5,121 | \$ 5,121 |
| General Farm Working | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| Weed & Pest | \$ 990 | \$ 990 | \$ 990 | \$ 990 | \$ 990 |
| Repairs and Maintenance | \$ 20,200 | \$ 20,200 | \$ 20,200 | \$ 20,200 | \$ 20,200 |
| Vehicle Expenses | \$ 19,500 | \$ 17,500 | \$ 17,500 | \$ 17,500 | \$ 17,500 |
| Administration | \$ 39,000 | \$ 39,000 | \$ 39,000 | \$ 39,000 | \$ 39,000 |
| Rates & Insurance | \$ 14,623 | \$ 14,623 | \$ 14,623 | \$ 14,623 | \$ 14,623 |
| Milking Land Lease costs | \$ 9,000 | \$ 9,000 | \$ 9,000 | \$ 9,000 | \$ 9,000 |
| Farm Expenses | \$ 511,285 | \$ 493,979 | \$ 493,979 | \$ 493,979 | \$ 493,979 |
| Loan Interest | \$ 213,825 | \$ 213,825 | \$ 213,825 | \$ 213,825 | \$ 213,825 |
| Overdraft int | -\$ 3,948 | -\$ 11,053 | -\$ 7,276 | -\$ 1,968 | -\$ 142 |
| Depreciation est | \$ 80,000 | \$ 80,000 | \$ 70,000 | \$ 70,000 | \$ 70,000 |
| Gst Adjustment From Cashflow | \$ - | \$ 3,911 | \$ - | \$ - | \$ - |
| Total Income before tax & Capital | -\$ 69,637 | -\$ 101,213 | \$ 4,905 | \$ 8,784 | \$ 10,610 |
| Tax | \$ - | \$ - | \$ - | \$ - | \$ - |
| Add/Subtract Capital Changes | | | | | |
| Shares | -\$ 94,835 | \$ 52,613 | \$ - | \$ - | \$ - |
| Plant and Equip. | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 | \$ 5,000 |
| Total | -\$ 89,835 | \$ 57,613 | \$ 5,000 | \$ 5,000 | \$ 5,000 |
| Annual Result | \$ 100,198 | -\$ 78,826 | \$ 69,905 | \$ 73,784 | \$ 75,610 |
| End of Year Bank Balance | \$ 44,635 | -\$ 34,191 | \$ 35,713 | \$ 109,498 | \$ 185,107 |

5. Taxation

All taxation payments are based on the 30% Company Tax Rate.

6. Company Structure

Nui Dairies Ltd is a limited liability company formed in May 2008 and governed by a Board of Directors guided by a clear Joint Venture Shareholders Agreement (SHA).

7. Investor Commitment

We are seeking a commitment to invest by 7th August 2009.

8. Management Contract

FarmRight Ltd has a management contract with the company. A copy of the management contract is available on request. FarmRight's role is to provide structure, meet reporting requirements to shareholders and statutory bodies and provide support to the Farm Manager. It must be noted that FarmRight acts in a supporting role with overall control remaining with the shareholders. For further information on FarmRight visit www.farmright.co.nz

Services provided by a FarmRight contract:

Farm Consultancy

Monthly visit & report focusing on “cows and grass” production issues as detailed above.

Financial – Business Planning, Budgeting, Analysis & Reporting

- Monthly reporting:
- Property & Production report including comparisons to budget
- Financial report including comparisons to budget
- Annual year end financial report.
- Budget and Cashflow preparation.
- Quarterly statistical analysis and comparisons.
- Benchmarking against other FarmRight managed farms.
- Compiling, updating and monitoring of the business plan.
- Liaise with banker, accountant, and solicitor as required.

Financial – Accounts Payment

- Full financial control.
- Payment and recording of accounts on behalf of business owners.
- Receipt of funds on behalf of business owners.
- GST records and payments.
- Wages and PAYE; records and payment.
- Provide accountant with reconciled year end accountants report.

Operational Management Supervision

- Regular on-farm visits by the Farm Investment Manager.
- At least monthly, although required visits throughout the year are likely to vary based on the seasonal farming calendar and issues to be addressed.
- Visits are based around FarmRight monthly calendar and checklists.
- Independent supervision of the Farm Manager and staff.
- Includes Employment Agreements, Position Descriptions, coaching of key staff, and performance management as required.
- Compliance Management (e.g OSH, Dairy Company etc).
- Implementation of the asset management plan (as directed by owners).
- Ensuring consultancy advice meets business plan objectives.
- Feasibility studies for the existing operation.
- Monitoring and influencing the overall business performance in relation to the Business Plan i.e. achieving the required business outcomes. **This is the key role of the Farm Investment Manager.**

9. Summary

This document is a brief outline of the investment. If you wish to investigate this investment more fully we will be able to supply annual budgets and cashflows, copy of the management contract and company profile and any other supporting information you require. Investment is sought from “Eligible Persons” as defined under the Securities Act 1978 and its amendments. Please contact us for further information or if you have any doubts regarding your eligibility.

10. Farm Map

