

**Physical and Financial Details
of**

**Longridge
Dairies Ltd**

532 ha at Balfour, Northern Southland



Contact – Rochelle Dillon or Tony Cleland at FarmRight
on (03) 248 7866

Longridge Dairies Ltd

Equity shareholdings are currently available in this property

The total equity investment sought is \$4,000,000. This equates to a 58.14% share in the company.

Name: Longridge Dairies Ltd

Location: Approximately 10km from Balfour in Northern Southland

Area: 532 ha

Tenure: Freehold

Background: Longridge Dairies Ltd was formed in 2007 with the purchase of a 532 ha property in Balfour. The property was originally set up as a heifer grazing and calf rearing operation.

The Directors have decided to convert the property to an 1100 cow dairy unit which will require an external capital contribution.



Capital and Financial Analysis

Capital	2010	2011	2012	2013	2014
Land & Shares	\$ 10,409,600	\$ 11,009,600	\$ 11,100,000	\$ 11,100,000	\$11,100,000
Value of Runoff Land	\$ 1,926,600	\$ 1,926,600	\$ 1,926,600	\$ 1,926,600	\$ 1,926,600
R 1 Heifers	\$ 175,000	\$ 174,300	\$ 174,300	\$ 174,300	\$ 174,300
R 2Yr Heifers	\$ 250,000	\$ 232,000	\$ 232,000	\$ 232,000	\$ 232,000
M A Cows	\$ 1,192,050	\$ 1,170,450	\$ 1,216,350	\$ 1,216,350	\$ 1,216,350
Total Value Of Stock	\$ 1,617,050	\$ 1,576,750	\$ 1,622,650	\$ 1,622,650	\$ 1,622,650
Plant/Mach	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
Total debt Inc. Current A/c on June1	\$ 7,004,350	\$ 7,376,460	\$ 7,123,412	\$ 6,853,268	\$ 6,615,094
Equity	\$ 7,148,900	\$ 7,336,490	\$ 7,725,838	\$ 7,995,982	\$ 8,234,156
Total Assets	\$ 14,153,250	\$ 14,712,950	\$ 14,849,250	\$ 14,849,250	\$14,849,250
Term Loan Interest Paid	\$ 595,370	\$ 603,054	\$ 603,054	\$ 603,054	\$ 603,054
Average cost of interest	8.5%	8.2%	8.5%	8.8%	9.1%

Financial Analysis					
Return on assets B4 tax & Int	1.3%	5.6%	5.8%	5.9%	5.9%
Percentage debt to assets	49%	50%	48%	46%	45%
Return on equity after Int	-5.1%	3.5%	3.5%	3.5%	3.3%
Estimated appreciation as an ROE*	2.6%	5.3%	3.5%	3.0%	2.9%
Expenses%GFI	76%	57%	56%	56%	56%
EFS/ha	\$ 461	\$ 2,065	\$ 2,172	\$ 2,198	\$ 2,190

The projected increase in capital value is calculated based on the budgeted production lift only. Any increases 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.

The Budget is based on the following capital requirements:

Capital Cost Summary

Capital Item	\$	\$/ha	\$/kgMS	Comments
		eff dairy area	1st year prod	
Fonterra Shares	\$ 1,582,000	\$ 3,955.00	\$ 4.52	350,000 shares at \$4.52 per share
Stock Purchase	\$ 1,668,300	\$ 4,170.75	\$ 4.77	
Housing	\$ 700,000	\$ 1,750.00	\$ 2.00	
Cowshed	\$ 982,800	\$ 2,457.00	\$ 2.81	54 bail rotary
Effluent	\$ 80,000	\$ 200.00	\$ 0.23	
Power	\$ 67,500	\$ 168.75	\$ 0.19	
Tracks & Lanes	\$ 150,000	\$ 375.00	\$ 0.43	
Water	\$ 20,000	\$ 50.00	\$ 0.06	
Fencing	\$ 50,000	\$ 125.00	\$ 0.14	
Fertiliser & Regrassing	\$ 115,000	\$ 287.50	\$ 0.33	
Drainage	\$ 20,000	\$ 50.00	\$ 0.06	
FarmRight Setup Fee	\$ 100,000	\$ 250.00	\$ 0.29	Fee for finding additional equity
Conversion Fee	\$ 50,000	\$ 125.00	\$ 0.14	
Contingency	\$ 100,000	\$ 250.00	\$ 0.29	
Total Capital Required	\$ 5,685,600	\$ 14,214	\$ 16.24	
Funded by:				
Shareholder Equity	\$ 4,000,000			
Bank Term Loan	\$ 1,685,600			
	\$ 5,685,600			

Budget Summary



Longridge Dairies Ltd

Cash Budget Summary

	2010	2011	2012	2013	2014
Income					
Milk Income	\$ 1,395,094	\$ 1,964,199	\$ 1,993,092	\$ 1,993,092	\$ 1,993,092
Stock Sales	\$ 105,321	\$ 93,221	\$ 93,221	\$ 93,221	\$ 93,221
Total Income	\$ 1,500,415	\$ 2,057,420	\$ 2,086,313	\$ 2,086,313	\$ 2,086,313
Stock Purchases & Bull Lease	\$ 9,681	\$ 9,674	\$ 9,674	\$ 9,674	\$ 9,674
Income Less Stock Purchases & Bul Lease	\$ 1,490,734	\$ 2,047,746	\$ 2,076,639	\$ 2,076,639	\$ 2,076,639
Total Budgeted KGMS	350,000	370,000	370,000	370,000	370,000
Avg Income \$/kgms	\$ 4.29	\$ 5.56	\$ 5.64	\$ 5.64	\$ 5.64
Budget payout \$/kgms	\$ 5.45	\$ 5.45	\$ 5.45	\$ 5.45	\$ 5.45
Expenses					
Animal Health	\$ 47,300	\$ 47,300	\$ 47,300	\$ 47,300	\$ 47,300
Breeding Expenses	\$ 20,350	\$ 20,350	\$ 20,350	\$ 20,350	\$ 20,350
Electricity	\$ 28,050	\$ 28,050	\$ 28,050	\$ 28,050	\$ 28,050
Feed	\$ 219,466	\$ 216,625	\$ 211,675	\$ 211,675	\$ 211,675
Runoff Net Cost	\$ 180,679	\$ 180,679	\$ 180,679	\$ 180,679	\$ 183,829
Fertiliser & Lime	\$ 156,872	\$ 184,872	\$ 184,872	\$ 184,872	\$ 184,872
Shed Expenses	\$ 8,640	\$ 8,910	\$ 8,910	\$ 8,910	\$ 8,910
Freight & Cartage	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500	\$ 5,500
Wages	\$ 290,901	\$ 290,901	\$ 290,901	\$ 290,901	\$ 290,901
General Farm Working	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Weed & Pest	\$ 3,200	\$ 2,400	\$ 2,400	\$ 2,400	\$ 2,400
Repairs and Maintenance	\$ 41,000	\$ 41,000	\$ 41,000	\$ 41,000	\$ 41,000
Vehicle Expenses	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000	\$ 40,000
Administration	\$ 53,000	\$ 53,000	\$ 53,000	\$ 53,000	\$ 53,000
Rates & Insurance	\$ 30,485	\$ 30,485	\$ 30,485	\$ 30,485	\$ 30,485
Farm Expenses	\$ 1,127,944	\$ 1,152,572	\$ 1,147,622	\$ 1,147,622	\$ 1,150,772
Loan Interest	\$ 595,370	\$ 603,054	\$ 603,054	\$ 603,054	\$ 603,054
Overdraft int	-\$ 44,130	-\$ 31,082	-\$ 5,184	\$ -	\$ -
Total Income before tax & Capital	-\$ 326,710	\$ 208,048	\$ 270,779	\$ 275,963	\$ 272,813
Tax	\$ -	\$ -	\$ 45,635	\$ 82,789	\$ 81,844
Add/Subtract Capital Changes					
Shares	\$ -	\$ 90,400	\$ -	\$ -	\$ -
Plant and Equip.	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Borrowing	\$ -	-\$ 90,400	\$ -	\$ -	\$ -
Total	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
End of Year Cash Surplus/Deficit	-\$ 281,710	\$ 253,048	\$ 270,144	\$ 238,174	\$ 235,969
End of year cash result (accumulative)	-\$ 281,710	-\$ 28,662	\$ 241,482	\$ 479,656	\$ 715,625

Milk Production

The long-term target is to run 1100 cows (2.8/ha) achieving a total of 370,000KgMS (925KgMS/ha) with production being built up over two years:

	2010/11	2011/12
Cows	1100	1100
KgMS/Cow	318	336
KgMS/Ha	875	925
Total KgMS	350,000	370,000

This production is based on having no other stock grazing on the milking platform area. The farming system will be a low cost grass based system.

General Description

Land Use

The property consists of 532ha in four freehold titles. Approximately 400ha will be converted into effective milking platform and 120ha being used as runoff area to winter stock.

Farm Layout and Subdivision

The farm is currently subdivided into 71 paddocks. Fencing on the property is post, netting and wire and is adequate for sheep and beef farming. The fencing will be removed or re-aligned as required for conversion. The farm already has two mains electric fence units.

Contour

The entire farm is of flat to rolling contour. The aspect of the property is balanced with an altitude of approximately 200-260m (at the house).

Soils

The soils are predominantly a combination of Waikoikoi and Wendon soils. Both these soils are suitable for extensive cattle farming.

Soil Test Results:

Date		pH	P	K	S	Ca	Mg	Na
April 2009	Average	5.8	21	4	9	12	25	6
	Optimum	5.8-6.2	20-30	7-10	10-12	4-10	8-10	1-10

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

Capital Fertiliser will be applied to areas not in the optimum range as part of the conversion.

Rainfall

The annual average rainfall in the Balfour area is approximately 870mm/year.

Water Supply

The original water system was upgraded in 2009, and is now adequate to meet the demands of the proposed dairy unit

Water is sourced from a creek for stock water. A new bore will need to be put down to provide water for the cowshed.

Buildings and Facilities

Housing

Housing currently only consists of a four bedroom dwelling with a large deck and double garaging. The house is in good condition and would be suitable for as a farm managers house.

Other buildings/structures

The buildings on farm consist of a large 4 stand woolshed and covered yards, various implement and hay sheds totalling 29 bays, workshop, and deer shed.

The covered yards have been altered to establish excellent calf rearing facilities (1000 calves previously reared).



Lanes and Shelter

The lanes on farm are adequate for a grazing property, providing access to the hill areas and a network on the flats. As part of the conversion, existing lanes will be contoured and capped, with some new lanes being developed.

The majority of shelter on the farm is provided by contour and bush, some shelter trees have been planted.

Livestock

The company currently owns 50 R2 heifers. 960 Mixed age cows, 200 R2 heifers and 250 R1 heifers need to be purchased during the conversion. Depending on the stock market at the time, the R1 purchase could be deferred into the first year of operation. Budgeted prices for these are \$1,350, \$1,000 and \$700 respectively. The farm once operating as a dairy farm will rear adequate replacement stock.

Wintering

We have budgeted to winter all cows on the property.

Plant & Machinery

The company presently possesses the majority of plant and machinery required including a 4WD John Deere tractor, silage wagon, double cab 4WD ute and calf rearing equipment.

Conversion

A total of approximately \$2,435,000 has been budgeted for the conversion excluding Fonterra shares and stock purchases. Below is a brief outline of the main conversion expenses:

Dairy Shed

A 54 bail rotary dairy shed, with DeLaval plant and a rectangular yard will be built. Automatic cup removers will also be installed to aid in the efficiency of the shed and to reduce the reliance on staff.

Housing

To accommodate all staff, two 3 bedroom dwellings will be built along with singlemans accommodation.

Tracks

Approximately 3km of new tracks will need to be constructed, including the tanker entrance. Existing tracks will require contouring and capping.

Pasture Renewal

100ha of existing pastures will be renewed.

Fertiliser

Capital fertiliser will be applied to paddocks where levels are not in the optimum range. The farm has received capital levels of fertiliser over the past two years in areas where fertility wasn't adequate.

Power

There is no power to the cowshed site; this will be put in from Longridge Road.

Water System

The water system was upgraded to be adequate for dairy farming in 2009. Stock water is sourced from a creek and can continue to be. A new bore will be put down for cowshed water.

Effluent System

A K-line irrigation system and 60 day storage ponds will be installed to cope with a maximum of 1200 cows. The weeping wall ponds will be lined with clay with the main storage pond being lined with a plastic liner.

General Comment

Longridge Dairies Ltd is a desirable property due to its scale, location and the level of infrastructure present pre conversion. On completion of the conversion development, the property will be a well setup dairy unit with excellent housing, support buildings and water system.

Management

A dairy farm manager will be recruited for the day to day management of the farm. There is potential for an equity manager to take up this position.

FarmRight Ltd currently has a Property Management Agreement (PMA) with Longridge Dairies Ltd to manage the farm. This includes all completion of all reporting and administrative duties. A new PMA will be required to reflect the changes in the present farming business.

FarmRight Ltd is a well established Farm Management company with experience in the formation of equity partnerships and developing strong relationships with all parties involved in the business. 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.

Summary

This document is a brief outline of the investment; an Information Memorandum is currently being prepared.

Further information on this investment can be obtained by contacting:

Rochelle Dillon on (03) 248 7866 or 027 293 3221

Tony Cleland on (03) 248 7866 or 027 220 6968

Jim Lee on (03) 325 7105 or 027 293 3220