EASTBOURNE DAIRY FARM LIMITED

MINUTES OF THE INAUGURAL ANNUAL GENERAL MEETING
HELD AT THE AUCKLAND AIRPORT CONFERNCE CENTER
ON FRIDAY 16TH OCTOBER 2015 AT 11.00AM

MEETING OPENED 11.05 am

PRESENT
R Dickie, A Guo, R & S Wells – Bondwell Farms Ltd, D Cotton, G & R Fallow – Fallow Family Trust, M Armstrong, J & J Clearwater – Blackmore Family Trust, P Taylor, D Brash – Troika Family Trust Nominees Ltd, W Loveday – Walter Loveday Trust, G Clark – Oniram Investments Limited & G Tomkins.

ATTENDING
J Whitlock (Director, Accountant), S Barr (Director) & K Murdoch (Roger Dickie (NZ) Limited).

APOLOGIES AND PROXIES
Apologies and Proxies were received from 35 shareholders totaling 5,690,000 shares or 51.72%.

Apologies from A Cotton, A Armstrong, K McGroman – North Harbour Superannuation Investments Limited, A Graham & J Stevens, The Cunningham Mathews Trust, A Stienemeier-Glesen, M Wendering-Glesen & M Glesen, BBTLaw Trustees Ltd, The Bently Family Trust, The Bruce and June Crabb Family Trust, B Lambie, Claridge Superannuation Fund, Hillbillydazza Trust, CD Burtons Investment Trust, D & L MacMillan, G Latham, The Richard and Helen Davis Family Trust, R Jay No2 Trust, The J G Harrison Trust, J Dalmer, Keat Cairns Investments Limited, The Mason Family Trust, L Esler, M Ascroft, Max Lifestyles Limited, M Steinhauser, M Wayne, K Paltridge and B M Yolland, M Irwin and A Hunter, The Cape Pioneer Trust OB Group Investments Limited, P Hayes, Q & S T Otto, R Hartung, Sheffield Management Limited, The Brougham No2 Family Trust, The Joe Hicks Family Trust, The RJ and DJ Webster Family Trust, U K Hogg, W Cronin and Son Limited and Whitfield Limited.

It was MOVED by D Cotton and SECONDED by M Armstrong THAT apologies and proxies be accepted. CARRIED

CHAIRMANS REPORT
The Chairman tabled the Annual Report and opened the floor for discussion.

R Dickie talked through his report.

It was MOVED by G Tomkins and SECONDED by J Clearwater THAT the Annual Report be accepted. CARRIED

FINANCIAL ACCOUNTS
The Chairman tabled the audited Financial Accounts for the year ending 31 May 2014 and opened the floor for discussion.

J Whitlock highlighted that the difference between the actuals and the prospectus came down to the difference in the milk payout.

G Clark asked where in the expenses does the management expenses come under. J Whitlock said that it comes under administration, which is listed under Other Farm Working Expenses. G Clark asked why it didn't say what it was and J Whitlock replied that it was made up of a myriad of small amounts. G Clark asked why there was a large difference between the actual and what was in the prospectus. J Whitlock referred to page 29 of the Annual Report, note 16 item k. The cartage of the herd to farm was the additional cost in this area. J Whitlock commented that the farm working expenses overall are below what was budgeted in the prospectus.

J Clearwater made comment that he had noticed the use of Palm Kernel Expeller (PKE) during his visit to the farm in March and made comment that it was not good for the quality of milk. He wanted it noted that it was great to see that we had chosen a system that only required a small amount. R Dickie said that it is a cheap feed that is easily added to the system. He also commented that Fonterra are putting in place a recommendation that a limit of 3 kg per cow per day of PKE is to be used. The Eastbourne operation is well under this requirement.

G Fallow asked whether budgets were going to be completed as we went forward. J Whitlock said that budgets are completed each season. G Fallow said that he thought this was important to budget expenses. R Dickie said that we are always dependant on the price we are paid by the milk company. He outlined that predictions for this season looks like it will be over $5.00/kgMS.

G Clark commented that any talk of the rise in the milk price is only speculative and that we should be operating to reduce our costs and if the price was to go up we take that as a bonus. R Dickie agreed with this statement. G Clark also commented that Eastbourne was set up as a debt free, self sustaining model and that we need to learn to operate within a lower payout. With the fixed expenses to management and the Sharemilkers, it is the investors that take the hit during a lower payout.

R Dickie outlined how the Variable Order Sharemilkers (VOSM) are paid, with their fixed costs being calculated and then paid as a monthly retainer and then they receive and 8% production and calf rearing bonus. This benefits the VOSM in a low payout year, but is to the shareholders benefit in higher payout year.

G Tomkins commented that the cost of acquisition of the stock seemed to be 20% higher than the prospectus. J Whitlock commented that this was not the case and that some of the replacement stock that was to be purchased in year two came through at the end of the 2014/2015 financial year, instead of the beginning of the 2015/2016 financial year and is reflected in the stock on hand in the annual accounts.

G Fallow asked whether it was anticipated the $250,000 overdraft facility would be used to its limit. K Murdoch replied that the current balance of the overdraft was $70,000 and with the slight lift in payout that we would not be getting anywhere near the limit.

R Dickie presented the sensitivity analysis, which shows the effect payout has on profitability (a copy of this document is attached as an appendix to the minutes).

P Taylor asked what the cash deficit balance was for the season. J Whitlock said we were nearly at a zero balance after stock purchases.

It was MOVED by G Fallow and SECONDED by P Taylor THAT the audited Financial Accounts be accepted.

CARRIED

APPOINTMENT OF AUDITOR

It was MOVED by D Brash and SECONDED by M Armstrong THAT Silks Chartered Accountants Limited of Wanganui be reappointed as auditor.

CARRIED

REMIT

It was MOVED by W Loveday and SECONDED by A Guo THAT the Electronic voting remit be adopted to the constitution.

CARRIED

GENERAL BUSINESS

S Barr gave an overview of the farm after his visit to the farm during the week of the AGM. He is very happy with the how Ben & Penny are going this season.

M Armstrong asked in light in the fall of the payout is it realistic to see an increase in land value. R Dickie replied that despite the value on paper going up, the reality is that if we went to market today you would struggle to achieve such a value due to the nature of the market.

J Clearwater asked about whether drought predictions through El Nino would affect the farm. S Barr responded that J Ballam, the farm advisor, has suggested that the farm is relatively summer safe and should be fine through the summer months.

G Fallow asked about the use of winter grazing. S Barr discussed it was the way we were looking at going with the management of the runoff. Using winter grazing to get the herd off the farm and then use the runoff for rearing young stock.

M Armstrong asked whether there was any concerns over the environmental impact of the effluent system and whether there was any changes needed. S Barr advised the farm has a top quality effluent system that Environment Southland have no issues with and it is assessed annually.

R Dickie gave an overview on the current market environment.

M Armstrong would like it acknowledged that VOSM's Ben & Penny are to be congratulated on achieving the eight cent bonus for outstanding milk quality.

G Fallow asked the question what is the contractual arrangement with Ben & Penny, since they are doing such a fantastic job. R Dickie replied that the contract is renewed annually, but the directors will look to incentivize the contract to help retain Ben & Penny.

MEETING CLOSED 11.55 am

……………………………………………..
R R Dickie
Eastbourne Dairy Farm Limited 2015

APPENDIX A

EASTBOURNE DAIRY FARM LIMITED - Sensitivity Analysis

	MILK PRICE			$3.66	$4.50	$5.00	$5.50	$6.00	$6.50	$7.00	$8.00
	Effective Milking Ha			164	164	164	164	164	164	164	164
Stock	Cows to Calve			520	520	520	520	520	520	520	520
	Cows Peak to Milk			500	500	500	500	500	500	500	500
	Calves reared			105	105	105	105	105	105	105	105
	Cow Equivalents/ha Stocking Rate			3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Production	M.S./Cow			440	440	440	440	440	440	440	440
	M.S./Ha			1341	1341	1341	1341	1341	1341	1341	1341
	Production (kg MS)			220000	220000	220000	220000	220000	220000	220000	220000
Income	% of Income	100%		805,200	990,000	1,100,000	1,210,000	1,320,000	1,430,000	1,540,000	1,760,000
	Total Milk Income			**805,200**	**990,000**	**1,100,000**	**1,210,000**	**1,320,000**	**1,430,000**	**1,540,000**	**1,760,000**
	Stock Proceeds	151	$/cow	75,500.00	75,500.00	75,500.00	75,500.00	75,500.00	75,500.00	75,500.00	75,500.00
	Other Farm Income										
Total Income				**880,700**	**1,065,500**	**1,175,500**	**1,285,500**	**1,395,500**	**1,505,500**	**1,615,500**	**1,835,500**
Expenses	Sharemilker Payment - Total			280,271	295,055	303,855	312,655	321,455	330,255	339,055	356,655
	- MP		8.0%	64,416	79,200	88,000	96,800	105,600	114,400	123,200	140,800
	- Calf rearing		8.0%	3,360	3,360	3,360	3,360	3,360	3,360	3,360	3,360
	- Allowance	425	$/cow	212,495	212,495	212,495	212,495	212,495	212,495	212,495	212,495
	Animal Health	224	$/cow	111,970	111,970	111,970	111,970	111,970	111,970	111,970	111,970
	Dairy Shed Expenses	35	$/cow	17,250	17,250	17,250	17,250	17,250	17,250	17,250	17,250
	Grazing Fees	55	$/cow	27,590	27,590	27,590	27,590	27,590	27,590	27,590	27,590
	Feed Costs	230	$/cow	114,830	114,830	114,830	114,830	114,830	114,830	114,830	114,830
	Pasture Maintenance	298	$/cow	148,965	148,965	148,965	148,965	148,965	148,965	148,965	148,965
	Directors Fees	12	$/cow	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
	Repairs & Maintenance	184	$/cow	92,020	92,020	92,020	92,020	92,020	92,020	92,020	92,020
	Interest & Finance Charges	1	$/cow	500	500	500	500	500	500	500	500
	Audit Fees	12	$/cow	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
	Other Farm Working Expenses	232	$/cow	115,750	115,750	115,750	115,750	115,750	115,750	115,750	115,750
	Rates & Insurance	65	$/cow	32,440	32,440	32,440	32,440	32,440	32,440	32,440	32,440
	Depreciation	102	$/cow	51,020	51,020	51,020	51,020	51,020	51,020	51,020	51,020
Total Farm Working Expenses				**1,004,606**	**1,019,390**	**1,028,190**	**1,036,990**	**1,045,790**	**1,054,590**	**1,063,390**	**1,080,990**
	Mortgage Principal			-	-	-	-	-	-	-	-
Total Debt Servicing				-	-	-	-	-	-	-	-
Total Expenses				**1,004,606**	**1,019,390**	**1,028,190**	**1,036,990**	**1,045,790**	**1,054,590**	**1,063,390**	**1,080,990**
Cash Surplus or Deficit				**- 123,906**	**46,110**	**147,310**	**248,510**	**349,710**	**450,910**	**552,110**	**754,510**

NOTE: This Analysis is based on status quo for the farming operation - i.e. the number of cows, production targets and expense structure remains the same. This scenario also does not allow for any taxation and capital expenditure, which would have to be deducted from any surplus.