MURRAY CREEK DAIRY FARM LIMITED

MINUTES OF THE ANNUAL GENERAL MEETING
HELD AT THE AUCKLAND AIRPORT CONFERNCE CENTER
ON FRIDAY 16TH OCTOBER 2015 AT 2.15 PM

MEETING OPENED 2.15 pm

PRESENT
R Dickie – Roger Dickie Holdings Ltd, J Lissington – Lissington Family Trust, M Holden, G Tomkins – The Osborne Family Trust, W Loveday – Walter Loveday Trust, G Clark – Oniram Investments Limited, K McGorman – North Harbour Superannuation Investments Limited, A Reddy – Paan Investments Ltd, L Wright – The William Laurie Wright Trust, B Gray – Farnham Trust, Y Broughton & D Inia – The Te Rina Waimarama Whanau Trust.

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

APOLOGIES AND PROXIES
Apologies and Proxies were received from 31 shareholders totaling 2,595,000 shares or 31.84%.

Apologies were received from Bellinnes Investments Ltd, B Lawrence & D McRae, The Bruce and June Crabb Family Trust, The BJ & JD Lambie Family Trust, Camco Forests Ltd, O'Brien Family Trust, Eng Fong Soy @ Ng Ah Thong & Quen Quen Wang, R Jay No2 Trust, J Galt, J Dalmer, Bee Hayes Trust, Luey Family Trust, Lady Lou Ltd, Lindsay Super Fund, Max Lifestyles Ltd, M Steunhauser, Malcolm and Maureen Taylor Family Trust, M Irwin and S Hunter, The Cape Pioneer Trust, M Hamlin, The Stephenson Family Trust, The Rotorangi Trust No 2, R.H Stoddart Family Trust, R Hartung, R & M Lough, S Beasley, Woodmancote Trust, S Stewart, The Mounds Ltd, Stephens Family Trust.

It was MOVED by M Holden and SECONDED by W Loveday THAT apologies and proxies be accepted. CARRIED

MINUTES OF THE PREVIOUS MEETING
The minutes of the 2014 Annual General Meeting had been previously circulated and taken as read.

It was MOVED by M Holden and SECONDED by R Dickie that the minutes of the previous meeting be accepted as true and correct. CARRIED

MATTERS ARRISING FROM MINUTES
R Dickie discussed the selling of the property, which was outlined in the communication that was sent out prior to the meeting.

R Dickie outlined the secondary Market sales were discussed and K Murdoch went through the list of the shares available.

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

R Dickie gave an overview of his report and outlined the current payout situation.

S Barr gave feedback from his recent visit to the farm. He advised the farm was in the best condition he has ever seen it at this time of year. With the operational changes Jason and Sandy have made the farm will grow in the next two years.

It was MOVED by B Gray and SECONDED by L Wright THAT the Annual Report be accepted. CARRIED

AUDITED FINANCIAL ACCOUNTS

R Dickie gave advised the current interest rate for the bank loan, is floating at 4.35% and has a balance of $2,879,802 at the 30th September 2015. The Directors will continue to monitor the interest rates and if they see the need they will look at fixing the interest rate. If a decision to fix occurs it would not be for longer than two years to keep the options open to sell the property. The Directors have also chosen to take advantage of the more favorable loan interest rate and draw down from the term debt, so that the business only operates with a small overdraft, as the overdraft interest rate is 7.70%.

J Whitlock outlined the difference between the 2014/2015 season and the previous season. The major differences being that the milk proceeds had nearly halved from the previous year due to the drop in milk payout. There is also a shift in the expenses across the board with the change from a 50/50 Sharemilker to a Variable Order Sharemilker cost down.

J Whitlock presented the sensitivity analysis, which shows the effect payout has on profitability (a copy is attached as an appendix to the minutes). He advised we require a $5.00 payout to break even.

L Wright asked whether El Nino is likely to impact the farm. S Barr explained that the irrigator will help, though the farm could get dry due to the westerly wind exposure the farm has.

It was MOVED by A Reddy and SECONDED by J Lissington THAT the Audited Financial Accounts be accepted.
CARRIED

APPOINTMENT OF AUDITOR

It was MOVED by B Gray and SECONDED by M Holden THAT Silks Audit Chartered Accountants Limited of Wanganui be reappointed. CARRIED

APPOINTMENT OF DIRECTOR

The Chairman advised that J Whitlock retires by rotation and is available for re-appointment.

It was MOVED by G Clark and SECONDED by W Loveday THAT J Whitlock be appointed Director. CARRIED

REMIT

It was MOVED by L Wright and SECONDED by B Gray THAT the Electronic voting remit be adopted to the constitution. CARRIED

GENERAL BUSINESS

L Wright asked whether the size of the cowshed was an issue going forward with the size of herd. S Barr explained that we have spent money to improve how the cowshed runs and flows. It is now running well and reliably. Jason and Sandy have also established a roster system that ensures that no one spend more than two hours in the shed at one time. S Barr advised that the shed will continue to be monitored to ensure maintenance is kept up to date.

L Wright commented that it was disappointing that the shareholders didn't receive any dividend last year, with the high payout. R Dickie said that as was highlighted in the sensitivity analysis a higher payout is required. The

Directors intention is to leave debt alone and direct any surplus to dividend to the shareholders. J Whitlock the sensitivity analysis shows between a $6.00 and $6.50 payout would see a dividend being paid. With the current payout situation we would be looking at 2016/2017 season for a return.

J Lissington asked whether the there was any problems with the effluent system. R Dickie replied that we have a very good system with a weeping wall and ample storage. It is a great quality system that is set up properly. Jason is much better at managing it.

L Wright asked about the level of use of Palm Kernel Expeller (PKE) on the farm. S Barr explained that PKE is a cheap form of supplement that is used strategically. The levels of use are below those that Fonterra are discussing. Roger outlined the various feed options and their cost.

B Gray asked about the future of Murray Creek. R Dickie said that market indications are that we are one to two years away from the market being recovered enough to look to sell. The running costs for the operation are being more stable and repairs and maintenance are under control.

MEETING CLOSED 3.15 pm

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R R Dickie
Murray Creek Dairy Farm Limited 2015

APPENDIX A

MURRAY CREEK - Sensitivity Analysis

MILK PRICE				$3.66	$4.50	$5.00	$5.50	$6.00	$6.50	$7.00	$8.00
	Effective Milking Ha			374.8	374.8	374.8	374.8	374.8	374.8	374.8	374.8
Stock	Cows to Calve			1000	1000	1000	1000	1000	1000	1000	1000
	Cows Peak to Milk			990	990	990	990	990	990	990	990
	Calves reared			198	198	198	198	198	198	198	198
	Cow Equivalents/ha Stocking Rate			2.7	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Production	M.S./Cow			359	359	359	359	359	359	359	359
	M.S./Ha			947	947	947	947	947	947	947	947
	Production (kg MS)			355000	355000	355000	355000	355000	355000	355000	355000
Income	% of Income	100%		1,299,300	1,597,500	1,775,000	1,952,500	2,130,000	2,307,500	2,485,000	2,840,000
	Total Milk Income			**1,299,300**	**1,597,500**	**1,775,000**	**1,952,500**	**2,130,000**	**2,307,500**	**2,485,000**	**2,840,000**
	Stock Proceeds	83	$/cow	82,170.00	82,170.00	82,170.00	82,170.00	82,170.00	82,170.00	82,170.00	82,170.00
	Other Farm Income										
Total Income				**1,381,470**	**1,679,670**	**1,857,170**	**2,034,670**	**2,212,170**	**2,389,670**	**2,567,170**	**2,922,170**
Expenses	Sharemilker Payment - Total			389,610	407,502	418,152	428,802	439,452	450,102	460,752	482,052
	- MP		6%	77,958	95,850	106,500	117,150	127,800	138,450	149,100	170,400
	- Calf rearing		6%	4,752	4,752	4,752	4,752	4,752	4,752	4,752	4,752
	- Allowance	310	$/cow	306,900	306,900	306,900	306,900	306,900	306,900	306,900	306,900
	Animal Health	99	$/cow	98,010	98,010	98,010	98,010	98,010	98,010	98,010	98,010
	Dairy Shed Expenses	61	$/cow	60,390	60,390	60,390	60,390	60,390	12,078	60,390	60,390
	Grazing Fees	390	$/cow	386,100	386,100	386,100	386,100	386,100	1,041	386,100	386,100
	Feed Costs	75	$/cow	74,250	74,250	74,250	74,250	74,250	26,894	74,250	74,250
	Pasture Maintenance	173	$/cow	171,270	171,270	171,270	171,270	171,270	171,270	171,270	171,270
	Directors Fees	7	$/cow	6,930	6,930	6,930	6,930	6,930	6,930	6,930	6,930
	Repairs & Maintenance	95	$/cow	94,050	94,050	94,050	94,050	94,050	94,050	94,050	94,050
	Interest & Finance Charges	180	$/cow	178,200	178200	178200	178200	178200	178,200	178200	178,200
	Audit Fees	11	$/cow	10,890	10,890	10,890	10,890	10,890	10,890	10,890	10,890
	Other Farm Working Expenses	179	$/cow	177,210	177,210	177,210	177,210	177,210	177,210	177,210	177,210
	Rates & Insurance	36	$/cow	35,640	35,640	35,640	35,640	35,640	35,640	35,640	35,640
	Depreciation	136	$/cow	134,640	134,640	134,640	134,640	134,640	134,640	134,640	134,640
Total Farm Working Expenses				**1,817,190**	**1,835,082**	**1,845,732**	**1,856,382**	**1,867,032**	**1,396,954**	**1,888,332**	**1,909,632**
	Mortgage Principal			-	-	-	-	-	-	-	-
Total Debt Servicing				-	-	-	-	-	-	-	-
Total Expenses				**1,817,190**	**1,835,082**	**1,845,732**	**1,856,382**	**1,867,032**	**1,396,954**	**1,888,332**	**1,909,632**
Cash Surplus or Deficit				**- 435,720**	**- 155,412**	**11,438**	**178,288**	**345,138**	**992,716**	**678,838**	**1,012,538**

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, capital expenditure and principal payments, which would have to be deducted from any surplus.