

DIARY NOTE
SRS 15/08/2011

PAGE 20.

HIRST MGH & DJ GROUP (LMK)
BUSINESS LIABILITIES \$5,097,545 RISK GRADE '5E'

4. Income / Working Capital:

\$ 14,000	Lease Income from Gunns for the trees on 'Parkleigh' \$28k paid quarterly
\$ 18,000	Lease Income from Gunns for the trees on 'Glen Rowan' \$36k paid quarterly
\$ 6,000	Annual Rent for the house on 'Parkleigh' \$300 pw
\$ 70,000	Bulls 20 x min \$3,500. Due in Oct, 2011-08-18
\$ 5,000	Bulls 5 x \$4,000. Due in Oct, 2011
\$ 14,000	Cows 14 x \$1,000 Due in Oct, 2011-08-18
\$ 10,000	Misc cattle to be sold between Oct & Dec, 2011
\$154,000	11,000 tonnes of trees to be sold of Priestley's Lane @ 14/T
<u>\$ 26,000</u>	50% of potato income (leased 20 ha to a grower for \$2,700/ha) balance due in May/June, 2011
<u>\$317,000</u>	Total income due before 31/12/2011
\$161,000	Interest on \$3.7 mil @ 10.44% for 5 months
\$ 70,000	Interest on \$1.4 mil OD @ 12% for 5 months
\$ 9,000	Asset Finance payments, \$1,800 x 5 months
\$ 50,000	Farm Operating Costs
<u>\$ 25,000</u>	Living Expenses
<u>\$315,000</u>	Total
\$ 2,000	Surplus

Summary:

Without property sales clients are not generating sufficient income to service their monthly interest let alone operating and living cost's. Sale of property is there only option. They must reduce debt to a more manageable level. They have increased ANZ debt by \$1 mil in the last 12 months. Equity has gone backwards by even more as property values have declined by 10-20% (possibly more for the timber blocks). Clients do not have a very good understanding of their cash flow, MIS is practically non existent as they rely on their accountant.

Action Required:

1. Cash Flow required so we can assess CTS for the next 12 months until a property sells.
2. Management data for 30/6/2011 required so see what has happened in the last financial year
3. ATO Running Statement
4. Current SP
5. Aged list of debtors and creditors
6. Advise clients in writing that the cheque book must go away and no drawings will be honoured until the above information is received.

Confidential

Agribusiness Manager

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PAGE 19.

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Manager visited Michael and Dimity Hirst at their **Confidential** property today to get an update on current circumstances and to address the following :

1. LOO to be signed for the recently approved OD increase
2. Update asset liability position and valuations
3. Update position re the sale of Entally Forest to a family member
4. Discuss working capital requirements.

2. Assets & Liabilities – Valuations:

Manager has inspected all the properties and estimates their values to be as follows:

\$2,000,000	'Entally Forest', Confidential	-
\$ 400,000	Confidential Mt Direction, Trees – MIS with FEA	-
\$1,000,000	'Glen Rowan' Confidential Selbourne	-
\$ 800,000	'Parkleigh' Confidential Selbourne	-
\$ 500,000	Priestley's Lane, Confidential	-
<u>\$4,700,000</u>	Total	

Managers estimate of assets and liabilities is as follows:

\$4,700,000	Property	\$5,100,000	ANZ OD/ABL
\$ 445,000	Cattle	\$ 8,000	ANZ Personal CC
<u>\$ 350,000</u>	Cars/Truck/P & E/Contents	<u>\$ 15,000</u>	Asset Finance - Ute
<u>\$5,495,000</u>	Total Assets	<u>\$5,123,000</u>	Total

\$ 372,000 Surplus

3. Sale of Entally Forest:

Dimity Hirst's brother in law has offered to pay \$2.5 million for Entally Forest in two instalments. Initial payment of \$1 mil before the end of August and the final \$1.5 mil within 3-6 months. Apparently he is a wealthy man and wants to help out the family for the benefit of the Hirst's children ? Before he can release the funds he has to tidy up the sale of an overseas property. RM is sceptical as to whether these funds will materialise and even the Hirst's have some doubts. They made the comment "If it sounds too good to be true it probably is"

If they do receive this money then they would ask the bank to release it's mortgage over Entally Forest'. This would leave the bank with extended security of \$1,380,000 and a debt of \$2.6 mil..

The Hirst's had an offer of \$720k on 'Parkleigh' recently but after talking to their accountant declined to accept it. They believe the property is worth \$800k as the current tenant of one of the houses on the property recently offered this amount. But he has to wait until his matrimonial settlement is finalised until he is in a position to purchase. This could take months or even years. They are currently reconsidering the \$720k offer.