

CREDIT SUBMISSION**Part B**
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Borrowing Entity	Trust: The Tim Shay Grazing Trust	Date	11/09/2009 11:00
	Trustee: Shaytim Pty Ltd ACN 119 872 098	Manager	[REDACTED]
	Director: Adrian Athol Brauer	Office	Rabobank Dalby
	Director: Wendy Jolene Brauer Secretary: Wendy Jolene Brauer	CMS Ref	137054

Introduction, Background &/or History of Account

Loan originally settled May 2005 with a limit of \$700k.

\$100k increase in July 06 to allow for the construction of a new steel set of cattle yards and renovations on a dwelling located on "Kia-Ora".

\$200k increase in Jan 2008 to assist with the purchase of an off farm investment property.

Well managed facility with nil history of excess or TLI requirement. REFL PAL in the AA & WJ name of \$150k has been utilised for 1 contract, which was paid out prior to their going overseas.

Applicant's are looking to purchase a portion of the property "Jamberoo" located [REDACTED] existing property. Property is currently owned by a previous client of the bank ([REDACTED]) who currently retains a stand alone EF facility with the bank.

"Jamberoo" encompasses a total area of 5515 ha freehold and 1534 ha forestry lease. Clients along with further applicant's to the bank (see TD Wright and CM Herring [REDACTED] - credit approved at \$750k) have negotiated a contract on the property at a total purchase price of \$4.0m and are in the process of subdividing the property into 2 separate titles. Whilst the 2 entities are unrelated, for the purpose of this submission they are somewhat inter-dependent.

Expectation is that the sale will be in 3 contracts;

1. TD Wright and CM Herring - approx 1,725 ha for \$1.1m
2. AA & WJ Brauer - approx 3,790 ha for \$2.9m
3. Forestry lease purchase in TD Wright, CM Herring and AA & WJ Brauer. This title may be split at some future point but given the nature of the title and perceived difficulties in having this split prior to settlement it will be purchased in joint names. Contract value placed on this title is expected to be minimal due to its tenure.

Whilst the titles have been surveyed there may be some minor alteration to the freehold areas prior to settlement. There is an "in principal" approval by the Banana Shire Council and all indications are that the subdivision will proceed. Titles are yet to be registered and as such security documents will not be able to be structured until finalised by Qld DNR.

Branch is seeking an approval with the expectation that there may be a minor alteration (give or take 10 hectares) to the security area prior to settlement. Both parties can then proceed with the confidence that they have finance available.

Clients have been looking to add a breeder property to the existing operation for some time. Whilst the timing is not optimal, the location within easy distance of "Kia-Ora" and existing relationship with one of the neighbouring property owners and previous owner of the property makes this an excellent opportunity. They have a number of people already expressing interest in utilising the

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property for agistment/lease until they return from the States and look to resume their own management.

In March of this year AA & WJ with their 3 children relocated to Firth, Idaho, USA to live for approx 2 years in close proximity to WJ's family as she is American by birth. This is a life experience for their children and so that they can have close contact with her family for a period of time. Intention has always been to remain for 2 years but they may return prior to the beginning of winter late next year. The existing property is leased to the Simmons family of Theodore whom have been a strong target for the branch for some time. This relationship may provide us with a foot in the door to that business. Branch and Sydney hold a copy of the lease agreement and it has previously been perused by legal.

Proposal

2 existing AIO facilities in the name of AA & WJ Brauer.

- 01 facility - \$1.0m
- 02 facility - \$200k

Proposal is for the refinance of the \$1.0m facility into the Trust name.

Further funds to allow for the settlement of the purchase of part "Jamberoo" for \$3.0m.

Additional purpose to allow for REFL indemnity replacing the cancelled PAL under AA & WJ Brauer.

New facility with a limit of \$4.0m.

Personal Factor and Ability

Unchanged from original submission.

Applicant's family has owned the property "Kia-Ora" for 3 generation. In the 01/02 year AA Brauer obtained outright ownership of the property and management of the property commenced under the AA & WJ Brauer name.

Previous inspections of the property indicate that livestock are well cared for and land and improvements are well maintained and in good condition. Both partners are heavily involved in both property and financial management issues, a computerised financial management package is maintained.

Personal factor remains strong.

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The property "Kia-Ora" is owned in the individual name of AA Brauer along with the 200 meg water allocation.

Livestock, plant and equipment are owned by the Tim Shay Grazing Trust entity. All plant and equipment was transferred from the AA & WJ name to the trust at the end of the 06/07 financial year.

Residential properties are owned by numerous entities with 2 properties held in partnership with a third party.

New property "Jamberoo" is being purchased in the trust name.

Ultimately, as directors, trustees or individuals, all assets are controlled by AA & WJ Brauer.

Property & Production

"Kia-Ora" is located approx [REDACTED]

[REDACTED] The property consists of an excellent mix of open and semi-open improved grazing country, previously cultivated country that has been returned to improved pasture, dryland and irrigated cultivation.

Previous production has been based around breeding and trading of young cattle sold into the feedlot/trade market along with grain production, forage hay production and pasture grass seed sales. At present the property is leased out whilst clients are out of the country and utilised as a backgrounder property for a large beef producer that also has a private feedlot. Lease agreement allows for 1,100 backgrounder type animals to be on the property at any given time.

The future direction of the property is to place all emphasis on beef production with the majority of crop productive capacity utilised for own feed requirements. The new property "Jamberoo" will be utilised totally for breeders as a calf factory with all progeny transferred to "Kia-Ora" post weaning. Carrying capacity for "Jamberoo" is estimated at approx 650 breeders and progeny to weaning age.

"Kia-Ora" has 2 large silage pits with a capacity of 2,500t. 66 ha is currently under irrigation with water sourced via a 200 meg allocation from the Dawson River. Including the irrigated area there is currently 324 ha under cultivation with approx 50% of the property having been cultivated at some point.

650 head capacity (breeders) on "Jamberoo" and 1,100 head capacity (backgrounder cattle) on "Kia Ora" providing a total capacity at any given point of approx 1,750 head. Approx 600 head to be transferred from "Jamberoo" to "Kia Ora" each year. The remaining carrying capacity of "Kia Ora" will be utilised for trade cattle with the expectation of turning over approx 500 head on a 6 monthly roll, therefore approx 1,000 trade cattle each year.

The properties are approx 80km apart and would appear to constitute an excellent mix of breeding and fattening production capacity.

Financial Analysis

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List of assets and liabilities as at 31/08/2009.

Total assets	\$9,270,510	
Total Liabilities	\$2,189,440	
Surplus	\$7,081,070	Current gearing 24%

Post purchase of "Jamberoo"

Assets	\$12,270,510	
Liabilities	\$5,487,440	PSG 44%

Clients have a significant portfolio of off farm residential investment properties. Currently 8 properties with a total value of \$1.91m and a net worth (less associated residential loans) of \$714k. This includes the house in which they are currently residing in the US.

\$177k currently held in FMD's and managed funds. \$68k available on the 02 facility and \$210k available on the 01 facility. \$4k available in the Tim Shay credit only account.

There exists a soft family loan from the parents of AA Brauer which they are projecting to continue paying back at approx \$35k/yr. Balance owing is at \$91k. Payments are not structured and can be deferred in need.

A&L indicates a debt owing to the Brauers from Rowe Ventures of \$132k. Rowe Ventures is a related entity that operates the off farm investment properties. This entity borrowed \$132k from AA & WJ and the balance of the loan matches the drawn balance of the \$200k limit AIO facility.

There also exist a number of small inter entity loans between AA & WJ, the Tim Shay Trust and a number of further trusts that control investment properties. Apart from those directly between the trust and the partnership, the inter entity loans are of minimal value and constitute minimal concern. In any case, ultimately they lead back to the individuals from which we hold a guarantee.

Historic Trading Performance

07 figures are unaudited. 08 figures are draft and 09 are management figures.

Figures are a financial consolidation of:

- AA & WJ Brauer
- Tim Shay Grazing Trust and
- WJ Brauer Investments Pty Ltd ATF the AA & WJ Brauer Investment Trust

2007

- Clients made the decision to offload the majority of breeders and revert to trading background type animals, hence the high livestock purchase expense of \$440k.
- approx \$110k from hay production

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- one off \$78k hire of plant expense relating to the construction of the silage pits and the large hay storage shed.
- minimal R&M expense due to well improved nature of the property.
- livestock schedules indicate a sale and purchase of 536 head for \$325K from AA & WJ to the Tim Shay Trust thus transferring the livestock to the trust entity.

2008

- Shaytim Pty Ltd ATF Tim Shay Grazing Trust now the main operating entity
- minimal livestock purchases due to proposed lease arrangement to commence in 09 - \$50k lease income in this year
- continuing income from wheat and hay
- due to low cattle numbers and commencement of lease agreement AA Brauer sought increased off farm contracting work. Clients own a truck and water tanker and were contracted by gas and coal exploration companies. Also includes contract farming work.
- clients commenced the construction of a set of new steel cattle yards as well as a complete renovation and extension to 1 of the dwellings on the property. R&M expense is higher than average as a portion of works completed was deemed R&M. Associated \$60k hire of plant expense.

2009

- continuing high R&M expense due to cattle yards and home renovation. High associated R&M expense.
- clients departed for the USA in March 2009
- sale of all remaining cattle
- \$211k from agistment/lease income
- \$31k contracting income

Future Projections & Serviceability**2010**

- Expectation is for the settlement of the "Jamberoo" property at the end of October, early Nov.
- "Kia Ora" continues to be leased at \$200k/yr
- "Jamberoo" to be agisted back to the existing owner until he sources an alternative property and can relocate livestock. Agreed rate is at \$175k/yr.
- In the event that the existing owner of "Jamberoo" finds a property and relocates the property will then be agisted to an alternative party. Lessee of "Kia Ora" has already expressed interest and would immediately place cattle on the property. Agistment country is currently highly sought after.
- nil livestock income in this year.
- Rental income remains static. All residential loans except for the \$200k Rabobank facility are fixed.

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- significant projected operating loss stemming directly from the purchase of approx \$660k livestock.
- clients have indicated that they would look to return to Aust at the beginning of the American winter, possibly Oct 2010
- Existing lease for "Kia Ora" expires 31/03/2011. Clients expect to reduce lease arrangement to 50% of current numbers and stock 50% with own trade cattle. Lease income reduces to \$100k/yr.
- projections utilise March 2011 as the commencement of livestock purchases initially to stock "Jamberoo" with breeders and then trade cattle to stock "Kia Ora"
- minimal operating expenses up until March 2011.
- intention is to sell the house in America and utilise these funds to assist with livestock purchases. This property was originally purchased utilising funds available as undrawn.
- as this year will experience a significant operating loss the FMD's (\$147k) held will be utilised to assist with livestock purchases.

2012

- clients retain 50% lease/agistment of "Kia Ora" to bolster income whilst cattle numbers increase
- general expenditure is 150% of previous year
- livestock numbers reach effective carrying capacity by year end

2013 - YIYO indicative

- livestock at carrying capacity being approx 650 breeders and 1,000 feeder cattle
- purchase and sale routine in full swing with monthly turn off of trade and own bred cattle
- expenses allow for a contract labour and casual labour component of \$36k
- projections allow for an amount of \$15k annually for regrowth management and pasture improvement.
- Interest calculated at 10% fully drawn.
- ICR 1.6X
- sufficient working capital is available.

Livestock**Own bred cattle**

- 650 breeders with a 90% calving percentage
- clients have retained bulls so no initial need for bull purchases
- progeny transferred to "Kia Ora" post weaning and held until approx 18 months and sold in line with trade cattle at weights as below
- cull breeders transferred to "Kia Ora" and fattened prior to sale to meat works
- all sale cattle to go direct to works thus reducing the freight component and commissions

Trade cattle

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- purchased directly off property or through live selling centres of Rockhampton and Biloela to the North, Moura to the NW and Dalby and Roma to the South. Purchased at approx \$450 or 250kg x \$1.80
- sold direct to meatworks located at Biloela and Rockhampton to the North or numerous others to the South. Property is centrally located to take advantage of this market.
- trade cattle are held for 180 days with a weight gain on irrigated forage crop, grain or silage and improved pasture of approx 1.5kg/day. Carcass weight of approx 335kg (610kg live x 55% dressed out). 335kg x \$3.50/kg = \$1,172. Liveweight equivalent of 610kg x \$1.80 = \$1,100. Projections utilise \$1,000 as allowed in credit policy.
- clients have the ability to vary turn off to suit the market. Trade cattle could be held for 80 - 120 days and sold into the feedlot market which would reduce the sale price but increase the annual turnover to 3 or 4 times.

Sensitivity analysis

- market price expectation is in the vicinity of \$1,100 to \$1,200 for male turn off cattle, projections utilise \$1,000.
- interest calculated at 10% fully drawn
- property services the \$4.0 loan facility only, rental income services the \$200k limit and all residential investment loan facilities
- whilst projections allow for a 2X turnover of trade cattle they only allow for 1 turn off of own bred cattle so there exists the capacity to increase trade cattle turnoff or retain a conservative stocking rate to ensure sound pasture availability.
- client intends to seek further contracting work within the coal and gas mining/exploration industry and has derived up to \$50k/yr in the past from this source for minimal output of own labour. This has not been included in the projections, only minimal farm contracting amount of \$6k.

Income to expense ratio

The "Jamberoo" property is to be purchased from a previous client of the bank and as such branch has access to the historical figures for the property dating back to 1999 (see [REDACTED]). An average of the general expense amount for the period 2002 - 2007 provides a figure of \$140k/yr. Given that these figures are based on the total "Jamberoo" property which includes an additional 1,725ha as well as the further small 364 ha property "Cluden" suggest that this could easily be reduced to approx \$100k when related to the portion being purchased alone.

Historical operating figures for "Kia Ora" from 2002 - 2009 provide an annual average general expense figure of \$175k.

This gives a total average general expense figure for both properties of approx \$275k. The YOY projection utilises a general expense figure of 356k so suggest that, if anything, this figure is well overstated and provides further sensitivity to the above figures.

Security & Valuation

Security will be in the form of 1st registered mortgages over the properties "Kia-Ora" and "Jamberoo". Additional registered mortgage over the 200 meg water allocation.

Property is located [REDACTED]

[REDACTED]. Highway provides easy access to major livestock selling centres

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and abattoirs located at Moura and Rockhampton to the North and Dalby, Roma, Kingaroy, Oakey and Brisbane to the South. Property type provides for an excellent mix of open and semi-open grazing, improved pasture, dry land and irrigated cultivation. 200 meg water title has been separated under the Fitzroy Basin ROP and water is tradeable, though value has not been established as no trades have occurred.

A mining lease is currently registered over "Kia-Ora" as part of the Fitzroy Basin coal deposits. This may constitute some concern regarding saleability of the property but in the eventuality that the mining lease is exercised then a fair and equitable market value must be negotiated at that time. The valuation for the property utilises relevant sales for land sold to the coal mines, well improved grazing properties in the Theodore and Taroom districts as well as comparable grazing/irrigated cropping properties in close proximity.

Bank valuation is set at \$6.88m. Client places a value of \$9.0m on the property.

"Jamberoo" is [REDACTED] "Kia Ora". The property consists of approx 3,790 ha of freehold country and 1,534 ha leasehold. The freehold area includes approx 1,000 ha of black basalt soil flats. Remainder ranges from red to grey sandy loams rising to rocky basalt type soils on steeper rocky ridges. There are considerable areas of natural semi-permanent lakes which provide year round water and excellent feed reserves as the water recedes. Direct frontage [REDACTED] with permanent and semi-permanent water. Approx 100 ha has been pasture improved and a similar area is currently under cultivation for winter forage crop. Previous owner has been conservatively carrying approx 900 breeders on the existing total area in addition to progeny out to yearling age. Expected carrying capacity for the 3,790 ha portion is a conservative 650 breeders with progeny transferred off the property post weaning. The current property vendor listed the property privately and had at least 4 very strong prospective purchasers within a couple of days. The property is well located and quality breeder area and there are very few properties of its type and location.

Property has been valued at the purchase price of \$2.9m.

Group LSR - 43%

EAD - \$4,857,000

LGD - \$242,850

Risks / Mitigants

Mining lease - property has been valued conservatively with possible effect of mining lease taken into consideration. Property has been held in the family for a number of generations. If required for mining coal, clients will receive fair and reasonable market value at the time. Sales of comparable country to the coal mines have been utilised to assist with the bank valuation.

Rating

Rating is at R12.

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Nil at present.

General Comments

Applicants are in a very solid financial position, past financial results are sound. Properties are well located and production is of a diverse and highly productive nature.

Group LSR of 43%, PSG of 45% and ICR of 1.6X.

Clients of the bank since 2005. CSR aspect considered to be acceptable.