

**CREDIT SUBMISSION****Part B**  
Page 1 of 5

<b>Borrowing Entity</b>	Trust: The Tim Shay Grazing Trust	<b>Date</b>	09/08/2011 09:21
	Trustee: Shaytim Pty Ltd ACN 119 872 098	<b>Manager</b>	Brady, Greg
	Director: Adrian Athol Brauer	<b>Office</b>	Rabobank Dalby
	Director: Wendy Jolene Brauer Secretary: Wendy Jolene Brauer	<b>CMS Ref</b>	137054

**Introduction, Background &/or History of Account**

August 2010 - New AIO for AUD3.7Mln comprising AUD2.9Mln property purchase and AUD0.8Mln Internal refinance from related facility AA & WJ Brauer.

**Proposal**

AUD0.3Mln increase to loan limit with new limit of AUD4.0Mln

Principal Repayment of AUD3.0Mln due 30 June 2013 from the sale of security property.

Remove REFL PAL

Add Special Conditions - "Asset to be Sold" and "Permanent Reductions"

Credit to satisfy REFL PAL Special condition branch satisfied 08/08/2011

Loan Conditions Review set as Yearly.

Appraisal of security properties completed recommend valuations applied with no change to earlier valuations.

Settlement of this increase without the involvement of Panel Solicitors.

**Personal Factor and Ability**

Both Adrian and Wendy Brauer present as capable operators who have recently returned from a twelve month visit to Mrs Brauers family in the USA. Prior to departing to the USA the clients signed off on leases for both properties and were able to negotiate sound returns. As the lease on "Kia-Ora" expired earlier this year the clients have been able to secure another Lessee for a portion of this property. Clients are proactive people who communicate freely with their account manager. Both clients are equally involved with the financial and physical management of the properties.

**Ownership Structure**

The property "Kia-Ora" is owned in the individual name of AA Brauer along with the 200 meg water allocation. Security property "Jamberoo", Taroom, livestock, plant and equipment are owned by the Tim Shay Grazing Trust entity. Residential properties are owned by numerous entities with two properties held in partnership with a third party. 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

**CREDIT SUBMISSION****Part B**  
Page 2 of 5

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. "Kia-Ora" has two 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.

"Jamberoo" is located [REDACTED] comprises of country that ranges from heavy basalt soils to shallow forest type country. Property is considered a breeder block with the ability to fatten progeny in favourable seasons. Combined carrying capacity is 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. The properties are approximately 80km apart and constitute a sound mix of breeding and fattening country.

## Financial Analysis

### A&L Balance Sheet

Assets & Liability Statement:

Assets = AUD11.907Mln

Liabilities = AUD5.465Mln

Equity = AUD6.442Mln

Post settle gearing at 46% is above bank guidelines and although manageable reinforces the conclusion that debt reduction is required over the medium term. Clients have sold the house located in the USA with approximately AUD0.18Mln due in September. Sale proceeds from the USA house have been entered in the cashflow. Off farm investments consist of six houses located in various locations around Australia and are essentially break even in terms of rent to financial expense with nominal equity available. Our client intends to sell several of these houses however, the nominal equity would not allow for any real debt reduction on the AIO facility.

### Historic Trading Performance

2007

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

**CREDIT SUBMISSION****Part B**  
Page 3 of 5

- 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 one 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

**2010**

Majority of income due from lease of rural property with AUD0.246Mln shown in this period. Expenses reduced due to clients relocating to the USA over this time and lessee's responsible for R&M etc.

**2011**

Clients returned from the USA during this period and lease payments continued with the expiry of lease on "Kia-Ora".

**Future Projections & Serviceability****2012**

Clients intend to build up cattle numbers through purchases and lease's on both properties will provide necessary income. Cattle purchases and sales are noted as per policy for years 2012 and 2013.

**2013**

The lease on "Jamberoo" will have expired with the lease on "Kia-Ora" expiring in June of this year. The reduction in lease income will place significant pressure on the client to sell down virtually all cattle to meet their financial and operating commitments with residual funds not providing sufficient scope to trade on. Account manager considers the bank will have limited scope to assist these clients going beyond this point whilst the debt level remains at the proposed limit of AUD4.0Mln. As noted in Part A our clients understand the need for debt reduction over the medium term and account manager considers the timing of property sales is best left within the control of our clients albeit with the clear understanding that a Principal Reduction of AUD3.0Mln is required on or before 30 June 2013.

Debt Serviceability is evident over the 2013 period although requires the near complete sell down of livestock inventory to achieve this outcome.

**CREDIT SUBMISSION****Part B**  
Page 4 of 5

Group Debt of AUD4.2Mln @ 10%	= AUD0.42Mln
Financial Expense for Off farm Investments	= AUD0.087Mln
Total financial expense	= AUD0.507Mln
Surplus Cash	= AUD0.81Mln

**Security & Valuation**

Security comprises 1st registered mortgages over the properties "Kia-Ora" (including mortgage over 200Meg Water Allocation) and "Jamberoo". Additional security is held via Individual guarantees from both borrowers. Additional

"Kia-Ora" comprises 2149.62ha and has [REDACTED] Highway provides easy access to major livestock selling centres 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.

"Jamberoo" is located [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 to both Palm Tree and Dry Station creeks with permanent and semi-permanent water. Approximately 100 ha has been pasture improved and a similar area is currently under cultivation for winter forage crop. Expected carrying capacity for the 3,790 ha portion is a conservative 650 breeders with progeny transferred off the property post weaning. Property has been valued at the purchase price of \$2.9m.

Group LSR of 43% is within Bank guidelines and provides some level of comfort to the proposed sale of landed assets over the medium term. Appraisals for security properties was recently completed with no alteration to existing values.

**Risks / Mitigants**

Sale of rural property - Clients rural properties are considered readily saleable particularly the "Kia-Ora" block which is held in two titles and has an established irrigation system. It is this property that has a mining lease held over it which may prove to be a positive aspect given the increased level of activity from mining companies in the Theodore area. Clients have confirmed the "Kia-Ora" block would be the most likely to realise a sale over the medium term.

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.

**CREDIT SUBMISSION****Part B**  
Page 5 of 5**Rating**

BIS II Rating engine noted an R14 rating which was downgraded to R15 given the increased level of debt and account strategy that is being proposed.

EAD = AUD4.944Mln

LGD = AUD0.247Mln (5.0%)

GAIA confirmed as Acceptable.

**Covenant & Insurance Compliance &/or Account Strategy**

Recommend the addition of Special Conditions:

"Asset to be sold"

"Permenant Reductions"

Client is aware that debt reduction is required and acknowledges the formal notification of this through the Letter of Offer.

**General Comments**