



## PROFILE

### 1 Background

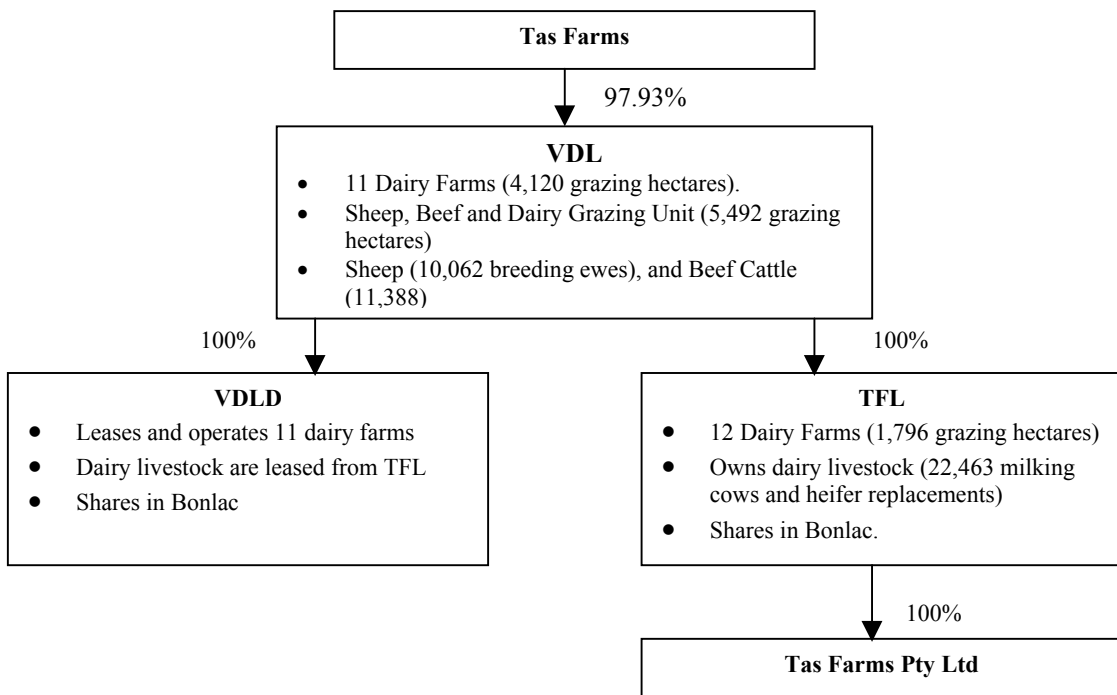
- 1.1 Tas Farms is a New Zealand registered company with 100% of its farming assets in the North West of Tasmania.
- 1.2 The former parent company of Tas Farms, Tasman Agriculture Ltd (TasAg), was put into **voluntary** liquidation on 31 October 2001 and on 14 November 2001 (the Distribution Date) received one share in Tas Farms for every share held in TasAg by way of an in specie distribution. All shares in Tas Farms are fully paid up.
- 1.3 The net asset value of Tas Farms as at 31 May 2004 was \$37.89 million.
- 1.4 Tas Farms' shares have been quoted on the NZSE Unlisted Securities Facility and the Unlisted internet facility [www.unlisted.co.nz](http://www.unlisted.co.nz) since 15 November 2001.
- 1.5 Management of Tas Farms' farming assets in the North West of Tasmania is undertaken by its 97.93% subsidiary The Van Diemen's Land Company.

### 2 Description of Tas Farms

#### 2.1 Structure

Since 14 November 2001 Tas Farms has been owned by the majority shareholders registered in TasAg as at 31 October 2001 (the date of delisting of TasAg from the NZSE). As at 31 August 2004 the ultimate major shareholders were Dairy Holdings Ltd (41.50%) and Hirequip NZ Ltd (21.75%).

The structure of the Tas Farms Group is as follows:



Where:

"Tas Farms " means Tasman Farms Limited, "VDL" means The Van Diemen's Land Company, "VDLD" means Van Diemen's Land Company – Dairies Limited, "TFL" means Tasman Farmdale Limited, "Bonlac" means Bonlac Supply Company Limited.

## 2.2 Profile of Operations

Tas Farms owns 97.93% of the share capital in VDL.

VDL owns 23 large scale dairy farms in North West Tasmania currently in production and milking approximately 16,000 dairy cows on 5,916 grazing hectares.

Of these dairy farms, 9 have been operated from 1 July 2004 under Lower Order Sharefarming Agreements whereby Tas Farms supplies the land, buildings and livestock and the Sharefarmer provides the plant and machinery necessary to operate the farms, 2 under 50:50 Agreements whereby the Sharefarmer provides the livestock rather than Tas Farms, and 12 as Managed Farms where the Farm Manager may in some instances provide the plant and machinery.

Under the Lower Order Agreement, Sharefarmers are paid a fixed percentage of the value of milk solids produced and provide the labour to operate the farm and pay a fixed percentage of the milking cow feed costs.

Revenue from calves over the replacement numbers accrue to the Sharefarmer but, as owner of the livestock, Tas Farms obtains proceeds from cull cows sold.

All animal health and breeding expenses are paid by Tas Farms as owner of the livestock.

On Managed Farms all costs are borne by the Farm Owner.

Tas Farms' dairy farms are budgeted to produce 4.11 million kilograms of milk solids in the season ended 31 May 2005.

Tas Farms' dairy farms principally supply Bonlac although two TFL farms supply Cadbury Schweppes Pty Limited.

In addition to its dairy farming operation, Tas Farms, through its interest in VDL operates a large scale sheep, beef cow, dairy bull beef and dairy grazing unit comprising approximately 5,700 grazing hectares.

Over the past two years a 925 hectare Techno beef and 300 hectare intensive bull beef finishing unit have been developed. Techno beef is the terminology used to describe a management system that enables large numbers of dairy beef bulls to be finished for slaughter in a way that optimises production in a profitable manner. These units will enable up to 5,000 bulls to be finished for slaughter each year.

In addition to the bull beef finishing operation, a large scale, meat, wool, dairy grazing and cropping enterprise is conducted on this property, acting as a complementary operation to Tas Farms' large scale dairy operation.

## 2.3 Financial Position

The consolidated financial position of Tas Farms as at 31 May 2004 was as follows:

	<b>Audited At 31 May 2004 (NZ\$M)</b>
Current Assets	1.30
Dairy Cattle	16.61
Other Livestock	7.41
Investments	1.72
Fixed Assets	58.73
Memorabilia	1.80
<b>Total Assets</b>	<b>87.57</b>
Total Liabilities	49.05
Shareholders' Funds	37.89
Minority Interests	0.63
<b>Total Funds Employed</b>	<b>87.57</b>
Shareholders' Funds	37.89
Shares on Issue	67,135,857
Net Tangible Asset Per Share	\$0.56

## 2.4 Financial Performance

Tas Farms' Consolidated Statement of Financial Performance for the two years ended 31 May 2004 were as follows:

	NZ\$M 2004	NZ\$M 2003
Operating Revenue	19.62	16.96
Operating Surplus	(0.13)	1.58
Dairy Capital Stock Movement	0.51	1.59
Earnings Before Interest and Tax	0.38	3.17
Interest	(3.14)	(2.81)
Operating Surplus Before Tax	(2.76)	0.36
Tax	-	-
Minority Interests	(0.51)	(0.28)
Net Profit After Tax and Minority Interests	(2.25)	\$0.64

## 2.5 Outlook

The Board believes the outlook for Tas Farms is sound.

- a) The Fonterra/Bonlac alliance consummated in April 2001 and expanded in September 2003 continues to give rise to synergy benefits for suppliers to Bonlac.
- b) While Australia's currency has appreciated rapidly against the United States dollar the recently announced Free Trade Agreement provides for increases in quota access and a decline in tariff rates until 2030 when 'free trade' will eventuate.
- c) Australia is an active participant in the international dairy commodity market and commodity prices for dairy products have strengthened significantly since the price reductions in the 12 months to 30 June 2002.
- d) The Australian dairy industry will benefit from the structural adjustment occurring through the latest WTO round of trade negotiations. To date this has resulted in limitations on subsidised exports from Europe and the United States. This, together with other international market conditions has led to a rise in international commodity prices and an improved outlook for Australia's competitive position in the international dairy market.
- e) With the investment of several major industry processors in the Australian dairy industry, the formation of Australasian Food Holdings Ltd (a subsidiary of Fonterra) in the New Zealand and Australian domestic market, the recent take-over bid by Fonterra of National Foods Ltd and the announced financial difficulties of the Italian parent company of Parmalat Australia Ltd, the Board anticipates that further Australasian rationalisation will occur which will benefit dairy industry participants.
- f) While milk processing volumes have declined in Australia over the last two years placing pressure on the major milk processors to cover their fixed costs, TasFarms is confident that these dynamics will provide the catalyst for needed rationalisation of milk processor cost structures.

As a result, the Board anticipates future increases in Australian farm gate payouts. The opening milk prices for the 2004/05 season and the subsequent price step-ups have signalled a significant increase in milk prices from the lower levels over the previous two seasons. With strengthening commodity prices over 2004/05, TasFarms expects that increased future farm gate payouts will increase dairy farm earnings.

While the sentiment in the Australian Dairy Industry is improving, Tas Farms is confident that the long-term prospects are positive.

In addition to the long-term positive outlook for the Australian dairy industry, the prognosis for the sheep, beef, dairy grazing and cropping industries are positive.

Following the break in the Australian drought in 2003, livestock numbers remain low. As a result, commodity prices in Australia and the US manufacturing beef prices are continuing at high levels. The US Free Trade Agreement is also likely to positively impact on Australian beef prices following increased quota access.

## 2.6 *TasFarms' Board and VDL Court of Directors*

- ***Edward Oral Sullivan KStJ LLB, Chairman***  
***(Chairman of the Finance Committee, Member of the Remuneration Committee and Committee for Approval of Insider Share Transactions)***

Edward Sullivan is a Partner in the legal firm of Raymond Sullivan McGlashan, Timaru, and is Chairman and Director of a number of New Zealand companies, and a member of the Order of St John Priory Trust Board for New Zealand.

- ***Colin Charles Armer***

Colin Armer is a leading North Island based Dairy Farmer and, together with his wife Dale, holds extensive agricultural interests including approximately 10,000 dairy cows. Mr Armer brings considerable dairy farming experience to the Board having been involved in the Industry for 25 years.

- ***Alan John Pye***

Alan Pye has been involved in the farming industry all his life and has extensive land holdings in Australia and New Zealand, with substantial involvement in crop and dairy farming. Mr Pye is presently managing, on behalf of a syndicate, Rushy Lagoon, Tasmania's largest Dairy Operation outside of the Company.

- ***Graeme Henry Wong BCA (Hons)***  
***(Member of the Finance Committee, Chairman of the Remuneration Committee and Committee for Approval of Insider Share Transactions)***

Graeme Wong is currently Executive Chairman of Hirequip NZ Limited, a position he has held since its inception in November 1997. Mr Wong held a Tasman Agriculture Limited Directorship from July 1994 to February 2000 and has extensive commercial knowledge, expertise and industry experience.

- ***Trevor Donald Scott BCom, FCA(PP), FNZIM, FinstD***  
***(Member of the Finance Committee)***

Trevor Scott is the Principal of T D Scott Chartered Accountants, based in Dunedin, a practice he established in 1988. Mr Scott is a Director of Hirequip NZ Limited and Scenic Circle Hotels Limited and has extensive commercial experience through directorships and advisory appointments to a number of leading South Island based operations including five companies listed on the New Zealand Stock Exchange. As Fellow of the Institute of Chartered Accountants of New Zealand and of the New Zealand Institute of Directors, Mr Scott has a longstanding involvement with the Otago University Council and its commercial operations.

In addition to the above Directors, The Van Diemen's Land Company also has two independent Directors:

- ***Timothy John Breward CA, B.Bu***

Tim Breward is a Director of the Launceston based Chartered Accounting firm of Johnson Breward, with 15 years' experience in providing general business and specialised corporate taxation advice. Mr Breward has a large and broad rural client base and been closely associated with the Company for the past 12 years.

- ***Ian Noel Roberts BA LLB FAICD***

Ian is a Partner and National Corporate Group Manager in the national law firm Hunt and Hunt and is based in the Hobart office. Ian practises extensively in the area of commercial and contract law, with experience in company restructuring, mergers and acquisitions, complex intellectual property advice, public listings, capital raisings and international corporate finance.

Both Mr Breward and Mr Roberts bring a longstanding involvement and expertise with the Company to the Court.

**3 Further Enquiries**

Further enquiries can be directed to the following:

C W Glass  
General Manager  
Tasman Farms Limited  
PO Box 549

**Timaru, New Zealand**

Phone: 0064 3 687 9258  
Fax: 0064 3 684 7965  
Email: [info@tasmanfarms.co.nz](mailto:info@tasmanfarms.co.nz)