

Patoka Dairies Limited (In Receivership)

Receivers' Six Monthly Report on the State of Affairs of Patoka Dairies Limited (In Receivership)

Pursuant to Section 24 of the Receiverships Act 1993

Reporting Period: 16 March 2010 to 16 September 2010

Company Number: 926309

Introduction

We, Maurice George Noone and John Howard Ross Fisk, Chartered Accountants of Auckland and Wellington respectively, were appointed receivers of Patoka Dairies Limited ("the Company") on 16 March 2010 under the terms of a security agreement dated 22 May 2006 giving the holders a security interest in all of the assets and undertakings of the Company. The property in receivership comprises all of the assets, property and undertakings of the Company.

This report has been prepared by us in accordance with and for the purpose of Section 24 of the Receiverships Act 1993 ("the Act"). It is prepared for the sole purpose of reporting on the state of affairs with respect to the property in receivership and the conduct of the receivership.

This report is subject to the restrictions set out at Appendix I. In particular, all information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993. Furthermore, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.

This report should be read in conjunction with our earlier report dated 16 May 2010.

Particulars of debts and liabilities at the date of report outstanding and requiring to be satisfied from the property in receivership

The following table shows the particulars of known debts and liabilities at the date of receivership outstanding and requiring to be satisfied from the property in receivership:

Class of creditor	Note	Name of creditor	Address of Creditor	Date of creation/ registration	Nature of claim	Amount of claim \$000's
First ranking secured creditor	1	Bank of New Zealand	Auckland	22 May 2006	All present and after acquired personal property	40,238
PMSI creditors	2	Marac Finance Limited	Auckland	15 January 2009	Motor Vehicles	115
	3	Rabobank Equipment Finance	Sydney, Australia	5 December 2007	Farm Equipment	94
	4	Ravensdown Fertiliser Co-Operative Ltd	Christchurch	Various	Farm Equipment	0.2
Preferential creditors	5	Employees	Various	Various	Holiday pay entitlement	40
	6	Inland Revenue Department	Hamilton	Various	PAYE GST	74

Notes to table

1. This amount is the balance of outstanding secured debt as provided by BNZ at the date of our appointment (excluding interest accrued to that date). BNZ holds a first ranking general security agreement over all assets and undertakings of the Company. Interest continues to accrue on the outstanding balance. Since our appointment \$2.48m has been repaid to BNZ.
2. This amount relates to a number of Motor Vehicles leased by the Company which continue to be used during the receivership.
3. This amount relates to a Silage Wagon leased by the Company.
4. This amount relates to rental arrears on two Urea Silos rented by the Company.
5. This amount relates to the outstanding holiday pay owed at the date of our appointment. As we have employed a number of existing staff, their holiday pay balances have been carried forward and are being paid out as staff leave or take annual leave.
6. This amount relates to unpaid PAYE and GST at the date of our appointment.

Property disposed of since our last report

The Company has continued trading in receivership and certain receivership property has been disposed of in the course of trading its farming operations.

As previously advised, a small run off block owned by the Company that was on the market prior to the Company's receivership, has been sold by the receivers as it was not required for the ongoing requirements of the farming operations.

Proposals for disposal of receivership property

We have carried out an assessment of the Company's farming operations and have determined that it is in the best interests of the Company to continue trading in receivership whilst the farm conversions are completed and are brought up to optimum sustainable production levels in order to maximise the value of the Company farms. As a result, at this time we have not determined when, or if the Company's properties will be placed on the market for sale.

Amounts likely to be available for payment to creditors other than creditors of the company having statutory preferential claims

The total value of unsecured creditors' confirmations received for the Company up to the date of this report is \$3.35m, of which \$419k relates to trade creditors, and \$2.94m relates to unsecured advances from McVitty Properties Limited (In Receivership) to the Company.

As you are aware the Company's major assets are farming properties. The values of these properties are subject to market fluctuations which are difficult to assess, but which will materially affect the prices achieved from any sale of any properties. At this time our estimates indicate that it will be unlikely that there will be any funds available for payment to unsecured creditors arising from the receivership. However, this position will not become clear until the conclusion of this receivership, and as mentioned previously, this is likely to be some time.

Receipts and payments

We attach, as Appendix II, a statement of receipts and payments in the receivership for the period of the receivership, being 16 March 2010 to 16 September 2010.

Dated: 16 November 2010



Maurice George Noone
Receiver

**Appendix I
Restrictions**

All information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Company. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.

The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this Report was not brought to our attention, or subsequently comes to light.

We have relied on forecasts and assumptions prepared by the Company about future events which, by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.

In addition the following should be noted:

- Certain numbers included in tables throughout this report have been rounded and therefore do not add exactly.
- Unless otherwise stated all amounts are stated in New Zealand dollars.

Patoka Dairies Limited (In Receivership)
Receipts and Payments
For the period 16 March 2010 to 16 September 2010

	\$
Receipts	
GST Receipts	291,355
Fonterra Dividends Received	41,493
Livestock Sales	478,042
Milk Income	1,860,082
Sale of Property	1,585,000
Timber Sales	42,726
Velvet Proceeds	2,361
Total Receipts	4,301,059
Payments	
Accountancy Fees	30,718
Bank Charges	2,654
Consultant Fees	56,923
Distribution to Secured Creditor	2,481,431
Farm Working Expenses	947,985
General Expenses	4,107
GST Payments	257,812
Interest Expense	8,362
Land & Farm Improvements	312,566
Lease Payments	40,873
Legal Expenses	34,744
Purchase of Fonterra Shares	502,644
Purchase of Machinery	69,550
Purchase of Plant & Equipment	58,755
Rates	33,756
Receivers Fees	237,150
Receivers Disbursements	6,229
Repairs & Maintenance	112,750
Travel & Accommodation	3,556
Valuation Fees	1,410
Total Payments	5,203,975
Bank overdraft as at 16 September 2010	(902,916)