



KAURI
FUNDS

15% p.a.
Projected
Annualised
Total Return*

\$500,000 minimum investment**

Totara Hills Limited Liability Partnership - A King Country Dairy Farm Investment

Offered by Kauri Rural Funds Limited



225 hectare dairy farm situated at 428 Tapuwae Road Bennydale, King Country.

Outstanding opportunity to invest in a dairy conversion at \$12,000 per ha plus conversion costs providing **significant potential for capital gain.**

Projected cash surpluses from year 1 with stabilised cash returns to investors of 7.6% p.a. from year 3 building to 10.06% p.a. in year 4.


Established and experienced team. **35 dairy farms currently under management**

Kauri will invest capital alongside investors in the Totara Hills Limited Partnership **sharing in both risk and reward**

* The Farm Financials contains details of how the target returns for this investment have been calculated

** Kauri Rural Funds Ltd may accept investments on behalf of the Totara Hills Limited Partnership of \$250,000 and above if the investor meets an exemption to the Securities act 1978:

- Has annual income above \$200,000 p.a., or more than \$2m of net investable assets
- Is experienced in the dairy industry, or investing money



Kauri Rural Funds Limited (the Investment and Farm Manager) is establishing the Totara Hills Limited Partnership to purchase convert and improve the Dairy Farm situated at 428 Tapuwae Road, Bennydale, King Country

5,500,000 \$1.00 units are available within the Limited Partnership to Eligible Potential Investors who have received the Limited Partnership Agreement

The Farm

Totara Hills is situated in a highly productive, summer safe farming area, which the King Country is renown for. The farm is located on Tapuwae Road and adjacent to another well developed corporate farm converted to dairy in 2008. Tapuwae Road in Bennydale is approximately twenty five minutes from Te Kuiti. Surrounding farms are managed by some of the larger corporate owners in the Waikato & King Country districts. The farm incorporates 225 ha of which 190 ha will be farmed as dairy once the conversion has been completed. Totara Hills enjoys flat to easy contour. Riparian, high gradient, and non-productive areas will be fenced off, improving the overall contour of the farm. The soil is of excellent quality, free draining and responds well to fertiliser (ash on pumice soil type). As part of the conversion to be undertaken by the Totara Hills Limited Partnership, three superior quality houses will be built, a quality 54 bale rotary dairy (with cup removers, electronic monitoring and automated dairy feeding) will be installed along with an eight bay calf rearing shed and an implement shed. Races, fencing and water supply are to be developed to a high standard and improvements will all be new for the 2013 season. The farming area has a solid history of dairy production and there is a substantial opportunity for investors to access a large format dairying operation with a total capital cost structure of approximately \$30,000 per ha once development works have been completed.

The Opportunity

Unlike many dairy conversions, the farm is projected to provide cash surpluses to the Totara Hills Limited Partnership from year one. The projections have been prepared in consultation with the Rabo Bank and provide for \$4.00 per kilo of milk solids cost structure post conversion and a tiered payout over the next five years (Kauri has benchmarked the Rabo Banks payout projections for the purposes of preparing financial forecasts). Cash returns are projected to increase substantially from 7.6% in year three growing to 10.06% in year four. Kauri's operating system is predicated on the basis that by feeding stock well and developing fertile pastures, superior productivity can be achieved. Beyond the initial conversion the farm management plan forecasts considerable growth in production and corresponding returns to investors which include cash returns from operating activities and forecast capital increases.



The Farm Management Plan

Kauri Rural Funds Limited through its subsidiary General Partner company will manage the day to day operation of the farm. Kauri has appointed an experienced farm manager who has committed to separately co-invest within the Limited Partnership alongside investors as a Limited Partner. The farm manager directly reports to Kauri's in-house operations manager and assists in the development of the farm management strategy and is responsible for on-farm implementation. The farm management plan provides for the conversion to be complete for the start of the 2013 season. A significant capital fertiliser and regrassing programme is to be undertaken to increase fertility to economic optimum levels and maximise the pasture performance and quality. A detailed operational and capital expenditure budget along with a systems analysis have been prepared in support of the farm management plan.

The Returns

Limited Partnership 5 Year Forecast Total Return	Y1 2013	Y2 2014	Y3 2015	Y4 2016	Y5 2017
Forecast Cash Return	57,020	267,886	403,317	533,444	395,134
Forecast Capital Gain	505,450	578,388	470,934	420,452	257,949
TOTAL	562,470	846,274	874,252	953,896	653,083
Total Return	10.61%	15.97%	16.50%	18.00%	12.32%
Annualised Total Return	14.68%				

* Forecast total returns to investors include cash returns from operating activities and forecast capital increases based upon increased production levels. Details of how returns are calculated are contained within the Farm Financials.

Investment Structure & Investment Returns

The Totara Hills LLP is structured as a New Zealand Limited Partnership. A Limited Partnership is not a tax paying entity and allows income and capital returns to flow directly to investors on a pre tax basis providing a tax efficient method of investment. A Limited Partnership comprises a General Partner who manages the Limited Partnership and one or more Limited Liability Partners who enjoy Limited Liability provided they do not take part in the management of the Limited Partnership. The projected annualised total return on investor's equity calculated over a 5 year period after all expenses is 14.68% pa. Rabo Bank have provided a funding offer but please note interest rate projections are indicative until such time as a commitment to the loan facility has been made and a rate confirmed.

This is a compelling offer of a superb King Country dairy farming investment.
We urge you to register your interest as soon as possible.

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Kauri Rural Funds

Kauri Rural Funds was established as the successor to one of the Waikato's most successful dairy consultancy practices. Kauri Rural Funds associated consultancy practise provides investment, strategic and operational advice to the shareholders and managers of dairy farms totalling in excess of 7,000 ha. Kauri is the only rural investment promoter and fund manager that invests alongside investors and equity managers in each dairy investment brought to market. Kauri Rural Funds shares in both risk and reward and works alongside investors, equity managers and farm employees to develop a business strategy that maximises production and delivers stable returns.

Limited Partnership

The Totara Hills Limited Partnership is incorporated as a New Zealand domiciled Limited Liability Partnership with a Kauri Rural Funds Limited subsidiary company as General Partner and Eligible Potential Investors as Limited Liability Partners. The Limited Partnership will invest capital raised under the terms of the Limited Partnership Agreement to purchase and improve the farm situated at 428 Tapuwae Road, Bennydale King Country.



Tax

New Zealand Limited Partnerships have "look through tax status" and are not generally tax paying entities. Taxation implications associated with owning and disposing of Units in the Totara Hills Limited Partnership will depend on a Potential Eligible Investors individual circumstances. It is the responsibility of all Potential Eligible Investors to seek professional advice with respect to their tax position.

Next Steps

Due to the limited number of units on issue within the Totara Hills Limited Partnership and the opportunistic nature of the investment, we urge you to register your expression of interest as soon as possible to ensure that you do not miss out on this unique opportunity. For a copy of the Limited Partnership Agreement please contact Kauri Rural Funds today.

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Disclaimer: This material does not in any way represent a formal offer to subscribe to units or other proposals to invest in the Totara Limited Partnership. This is a summary for information purposes only. All representations and figures provided in this brochure are subject to change and are solely intended as preliminary general information. No money is being sought and no applications for investment will be accepted or money received unless the Eligible Potential Investor has received a copy of the Limited Partnership Agreement