

# Australian Dairy Farms Group

ASX Code: AHF

## 2018 HALF-YEAR REPORT



Australian Dairy Farm Group consisting of:  
Australian Dairy Farms Limited ABN: 36 057 046 607 and  
Australian Dairy Farms Trust ARSN: 600 601 689

|  |    |
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## Australian Dairy Farms

AUSTRALIAN DAIRY FARMS GROUP (ASX CODE: AHF)

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2017

|  | %<br>Change | \$000<br>December<br>2017          | \$000<br>December<br>2016      |
|--|-------------|------------------------------------|--------------------------------|
| Revenues from ordinary activities  | -17%        | 10,634                             | 12,861                         |
| Profit / (loss) from ordinary activities after tax attributable to members of the stapled entity | +16%        | (866)                              | (1,036)                        |
| Net profit / (loss) for the period attributable to members of the stapled entity                 | +16%        | (866)                              | (1,036)                        |
|  |             | <b>December<br/>2017<br/>cents</b> | <b>June<br/>2017<br/>cents</b> |
| Net tangible asset backing per stapled security  |             | 11.2                               | 11.1                           |

| Dividend Information | Amount per<br>Share (Cents) | Franked<br>Amount<br>per Share<br>(Cents) | Tax<br>Rate for<br>Franking<br>(%) |
|----------------------|-----------------------------|---|------------------------------------|
| Final dividend       | Nil                         | Nil                                       | Nil                                |
| Interim dividend     | Nil                         | Nil                                       | Nil                                |
| Record date          |                             |   | Not Applicable                     |

The Group does not have any dividend re-investment plan in operation.

### Loss or gain of control over other entities

There was no loss or gain of control over other entities during the half-year ended 31 December 2017.

### Investment in associates and joint ventures

Not applicable.

### Audit Status

This report has been subject to audit review. There is no dispute or qualification to report.

Refer to the Directors' Report and Interim Financial Report for additional information.

The board of directors of Australian Dairy Farms Limited ("the Company") submits to members the Interim Financial Report of the Company and its controlled entities ("the Group") for the half-year to 31 December 2017.

### PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN THE NATURE OF THOSE ACTIVITIES

The principal activities of the Group during the half-year were:

- ownership of dairy farms through the Australian Dairy Farms Trust;
- operation of dairy farms and ownership of dairy livestock through SW Dairy Farms Pty Ltd (SWD) for the production of fresh raw milk for sale to Camperdown Dairy and external parties; and
- processing of milk, production and sale of a range of dairy products via Camperdown Dairy Company Pty Ltd (Camperdown Dairy).

There has been no significant change in the scale or nature of the Group's farming activities in the half-year. The Farm Operations have showed a modest increase in production volumes and have achieved a maiden segment profitability primarily due to sound management and cost maintenance.

In the milk processing and product manufacture activities by Camperdown Dairy, there have been significant fluctuations in product manufacture and contract packing of milk products in bottled white milk resulting from consumers returning to supermarket branded \$1.00 per litre milk and the cessation of bottled milk sales in August 2017 to the vendor of the Camperdown Dairy business as announced to market;

Management has countered this industry-wide trend by seeking premium contract packing contracts and placing higher emphasis on production and marketing of the Group's branded products. These initiatives are expected to yield positive results in the 2018/19 financial year from new contracts already in place or in final stages of negotiation.

Significant events during the period under review include the following:

- Cessation of bottled milk production for Aussie Farmers Direct, the former owner and vendor of Camperdown Dairy, and replacement of more than the business lost by processing under a four-year contract of a new broad range of innovative dairy products that have achieved high sales and market penetration in other overseas locations.
- Raising of \$5,000,000 in new equity capital on 17 September 2017, from a cornerstone investor with a strong interest in the Group's activities and prospects.
- Completion of the purchase of industrial land at Camperdown for the development of new processing and drying facilities.

### INFORMATION ON DIRECTORS

The following persons held office as directors of the Group during or since the end of the half-year. The names and details of the directors are:

| Name            | Position       | Appointed / Retired      |
|-----------------|----------------|--------------------------|
| Michael Hackett | Chairman       | Appointed - 8 May 2009   |
| Adrian Rowley   | Director       | Appointed - 20 July 2011 |
| Peter Skene     | CEO / Director | Appointed - 1 July 2016  |

### OPERATING RESULTS

The consolidated net loss attributed to members of the Group, after providing for income tax was \$865,616 (2016: \$1,035,953). This result is comprised of a net loss from the Dairy Processing segment of \$455,876 (2016: \$415,193 profit), net profit from the Dairy Farm segment of \$589,230 (2016: \$24,610 loss) and corporate costs and bank facility finance charges of \$998,970 (2016: \$1,426,536). Included in the result are non-cash equity-settled share-based payments to KMP in the half-year of \$79,141 (2016: \$871,282).

Total income for the half-year ended 31 December 2017 is \$10,633,866, down 22% against the 2016 comparative period of \$13,625,186. The Dairy Farm segment revenue is \$4,387,198, down 3% against the 2016 comparative period of \$4,501,232 and the Dairy Processing segment revenue is \$6,246,668, down 32% against the 2016 comparative period of \$9,123,954.

## OPERATING RESULTS (cont'd.)

Total expenses for the half-year ended 31 December 2017 were \$11,499,482, down 22% against the 2016 comparative period of \$14,661,139. This is a net decrease of \$2,006,217 in expenses from the Dairy Processing segment, a \$727,874 decrease in expenses from the Dairy Farm segment and a \$427,566 decrease in corporate costs and bank facility finance charges.

## NET FINANCIAL POSITION

The net assets of the Group are \$32,883,811 at 31 December 2017, an increase of \$4,219,613 from 30 June 2017. The key assets and liabilities in the statement of financial position at 31 December 2017 are:

|                               | 30 June 2017 | 30 June 2017 | Change      | Percentage |
|-------------------------------|--------------|--------------|-------------|------------|
| Cash and Cash Equivalents     | \$5,037,590  | \$1,577,264  | \$3,460,326 | 219.4%     |
| Property, Plant and Equipment | \$26,078,253 | \$25,973,270 | \$104,983   | 0.4%       |
| Intangible Assets             | \$6,649,125  | \$6,649,168  | -\$43       | 0.0%       |
| Biological Assets (Livestock) | \$5,251,636  | \$5,426,719  | -\$175,083  | -3.2%      |
| Total Borrowings              | \$10,661,910 | \$10,602,361 | \$59,549    | 0.6%       |

The increase in cash and cash equivalents is predominantly a result of the private placement as announced to the ASX on 7 September 2017 (refer note 7).

## REVIEW OF OPERATIONS

### Overview

The 2017 calendar year has been one of continued change in the Australian Dairy industry which commenced positively with what appeared to be continuing significant consumer support for the premium branded milks and higher levels of both volumes and sales value being reported by supermarket groups. However, by mid-year that consumer support was in decline as consumers returned to buying supermarket branded \$1.00 per litre milk. That consumer trend continued throughout the balance of the year to 31 December 2017 and beyond.

Dairy Australia commentary highlights these changes states: *"The milk processing sector has undergone significant changes in the past 12 months, with a number of long-term investment decisions being made or otherwise changed. Murray Goulburn has announced the closure of three plants in Kiewa, Rochester and Edith Creek, as well as its intention to sell the mothballed Leitchville cheese factory. Fonterra's newly rebuilt Stanhope cheese factory is expected to come fully online in the first half of the 2017/18 season, whilst Warrnambool Cheese and Butter Factory have upgraded their Allansford factory, adding another 25,000 tonnes of cheese capacity.*

*Meanwhile, a new player has emerged in southeast South Australia, with Union Dairy Company's new milk powder plant set to begin production this season. Large multinational companies have operated in the Australian dairy industry for many years and currently include Fonterra (New Zealand), Kirin of Japan (Lion Dairy and Drinks), Lactalis of France (Parmalat) and Saputo of Canada (Warrnambool Cheese and Butter Factory).*

*Around 51% of manufactured product (in milk equivalent terms) was exported and the remaining 49% sold on the Australian market in the 2016/17 season. This contrasts with drinking milk, where over 90% was consumed in the domestic market.*

*Cheese is consistently the major product stream, accounting for a third of Australia's milk production in 2016/17-recent increases in cheese production capacity suggest that this will become the case even more so in the future. Drinking milk and skim milk powder/ butter production were the two next largest users of milk, accounting for 28% and 26% of Australian milk".*

For ADFG directors, the second half of the 2017 calendar year was one of in depth consideration and analysis of the best path forward for the Group in a highly competitive industry for a largely generic product with little differentiation between products and the directors are at an advanced stage of completing a plan for the future to share with Securityholders.

Despite the industry-wide changes underway, the Group's combined farming and processing operations have been relatively positive on all fronts in comparison with modestly increased farm production in the Farming Operations and implementation of several new customer on-boarding in the Processing Operations to more than replace the processing business that has diminished during the 2017 year. The benefit of these new customers will be evident in the 2018/19 financial year.

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The board intends to make certain announcements imminently of its strategic plan for the Group and in July 2018, of new customer business currently being contracted, the details of which are restricted from disclosure for commercial reasons.

### EVENTS AFTER THE BALANCE DATE

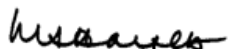
A General Meeting of the Group was held 12 February 2018, with all resolutions voted in favour. The resolutions of the meeting included advisory approval to advance a potential restructure of trust assets, adoption of an amended ADFG incentive plan and the cancellation and issue of securities and performance options to KMP. The changes from these resolutions are after balance date adjustments and as such any financial impact will be reported at 30 June 2018.

Other than the intended announcement of the Strategic Plan for the Group and the details of new business currently under confidentiality obligations, the directors are not aware of any other significant events post 31 December 2017.

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under S 307C of the Corporations Act 2001 is set out on page 21 for the half-year ended 31 December 2017.

This report is signed in accordance with a resolution of the board of directors.



Michael Leslie Hackett  
Chairman  
Brisbane

28 February 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

|  |           | December<br>2017 | December<br>2016   |
|--|-----------|------------------|--------------------|
|  | Notes     | \$               | \$                 |
| Revenue  | 2(a)      | 10,633,866       | 12,861,081         |
| Other income   | 2(b)      | -                | 764,105            |
| Administration and non-dairy related costs   | 2(c)(v)   | (351,440)        | (297,062)          |
| Employment expenses  | 2(c)(iv)  | (2,344,965)      | (3,205,135)        |
| Finance costs  | 2(c)(i)   | (227,899)        | (285,607)          |
| Dairy processing related costs   | 2(c)(iii) | (5,235,699)      | (6,838,872)        |
| Dairy farm related costs   | 2(c)(ii)  | (2,517,993)      | (2,742,409)        |
| Depreciation and amortisation  |           | (451,074)        | (481,904)          |
| Loss from changes to fair value of livestock   | 2(c)(vi)  | (12,839)         | -                  |
| Deemed cost of livestock sold  | 2(c)(vi)  | (357,573)        | (810,150)          |
| <b>Loss before income tax</b>  |           | <b>(865,616)</b> | <b>(1,035,953)</b> |
| Income tax expense   | 2(d)      | -                | -                  |
| <b>Loss for the period</b>   |           | <b>(865,616)</b> | <b>(1,035,953)</b> |
| <b>Other comprehensive income</b>  |           |                  |                    |
| <b>Items that may be classified subsequently to profit or loss when specific conditions are met:</b> |           | -                | -                  |
| <b>Items that will not be reclassified to profit or loss</b>   |           | -                | -                  |
| <b>Other comprehensive income for the period</b>   |           | <b>(865,616)</b> | <b>(1,035,953)</b> |
| <b>Total comprehensive loss for the period, net of tax</b>   |           | <b>(865,616)</b> | <b>(1,035,953)</b> |
| <b>Loss is attributable to:</b>  |           |                  |                    |
| Company shareholders   |           | (446,467)        | (575,380)          |
| Trust unitholders  |           | (419,149)        | (460,573)          |
|  |           | <b>(865,616)</b> | <b>(1,035,953)</b> |
| <b>Total comprehensive loss is attributable to:</b>  |           |                  |                    |
| Company shareholders   |           | (446,467)        | (575,380)          |
| Trust unitholders  |           | (419,149)        | (460,573)          |
|  |           | <b>(865,616)</b> | <b>(1,035,953)</b> |
| <b>Earnings per stapled security:</b>  |           |                  |                    |
| Basic earnings per stapled security (cents)  | 10        | (0.39)           | (0.56)             |
| Diluted earnings per stapled security (cents)  | 10        | (0.39)           | (0.56)             |

The accompanying notes form part of these financial statements.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

|   | Notes | December<br>2017<br>\$ | June<br>2017<br>\$ |
|---|-------|------------------------|--------------------|
| <b>ASSETS</b>   |       |                        |                    |
| <b>Current Assets</b>                                 |       |                        |                    |
| Cash and cash equivalents                             |       | 5,037,590              | 1,577,264          |
| Trade and other receivables                           |       | 1,684,055              | 2,428,048          |
| Inventories   |       | 909,046                | 785,199            |
| Other current assets                                  |       | 389,308                | 213,738            |
| <b>Total Current Assets</b>                           |       | <b>8,019,999</b>       | <b>5,004,249</b>   |
| <b>Non-Current Assets</b>                             |       |                        |                    |
| Biological assets                                     | 3     | 5,251,636              | 5,426,719          |
| Intangible assets                                     | 4     | 6,649,125              | 6,649,168          |
| Property, plant & equipment                           | 5     | 26,078,253             | 25,973,270         |
| <b>Total Non-Current Assets</b>                       |       | <b>37,979,014</b>      | <b>38,049,157</b>  |
| <b>Total Assets</b>                                   |       | <b>45,999,013</b>      | <b>43,053,406</b>  |
| <b>LIABILITIES</b>                                    |       |                        |                    |
| <b>Current Liabilities</b>                            |       |                        |                    |
| Trade and other payables                              |       | 2,097,396              | 3,442,405          |
| Provisions  |       | 258,845                | 237,710            |
| Borrowings  | 6     | 276,445                | 184,083            |
| <b>Total Current Liabilities</b>                      |       | <b>2,632,686</b>       | <b>3,864,198</b>   |
| <b>Non-Current Liabilities</b>                        |       |                        |                    |
| Provisions  |       | 97,051                 | 106,732            |
| Borrowings  | 6     | 10,385,465             | 10,418,278         |
| <b>Total Non-Current Liabilities</b>                  |       | <b>10,482,516</b>      | <b>10,525,010</b>  |
| <b>Total Liabilities</b>                              |       | <b>13,115,202</b>      | <b>14,389,208</b>  |
| <b>Net Assets</b>                                     |       | <b>32,883,811</b>      | <b>28,664,198</b>  |
| <b>EQUITY</b>   |       |                        |                    |
| Issued capital  | 7     | 18,636,013             | 17,379,491         |
| Reserves  |       | 320,697                | 363,360            |
| Accumulated losses                                    |       | (10,748,462)           | (10,423,799)       |
| <b>Equity attributable to shareholders</b>            |       | <b>8,208,248</b>       | <b>7,319,052</b>   |
| <b>Non-controlling interests</b>                      |       |                        |                    |
| Issued units  | 7     | 30,744,991             | 26,995,425         |
| Accumulated losses                                    |       | (6,069,428)            | (5,650,279)        |
| <b>Equity attributed to non-controlling interests</b> |       | <b>24,675,563</b>      | <b>21,345,146</b>  |
| <b>Total Equity</b>                                   |       | <b>32,883,811</b>      | <b>28,664,198</b>  |

The accompanying notes form part of these financial statements.



## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

|  | Notes | December<br>2017<br>\$ | December<br>2016<br>\$ |
|--|-------|------------------------|------------------------|
| <b>Cash Flows from Operating Activities</b>                        |       |                        |                        |
| Receipts from customers  |       | 12,505,442             | 14,435,529             |
| Payments to suppliers and employees                                |       | (13,131,854)           | (13,954,581)           |
| Interest received  |       | 9,276                  | 5,777                  |
| Finance costs  |       | (227,899)              | (227,396)              |
| <b>Net operating cash flows</b>                                    |       | <b>(845,035)</b>       | <b>259,329</b>         |
| <b>Cash Flows from Investing Activities</b>                        |       |                        |                        |
| Payment for property, plant & equipment                            |       | (582,119)              | (398,791)              |
| Proceeds from sale of property, plant and equipment                |       | 71,818                 | 4,051                  |
| Payment for biological assets                                      | 3     | (195,329)              | (478,647)              |
| Payment for intangible assets                                      |       | (34,645)               | (26,000)               |
| <b>Net investing cash flows</b>                                    |       | <b>(740,275)</b>       | <b>(899,387)</b>       |
| <b>Cash Flows from Financing Activities</b>                        |       |                        |                        |
| Proceeds from issue of stapled securities net of transaction costs |       | 4,986,087              | -                      |
| Proceeds from loans and bank hire purchase                         |       | 246,515                | 136,193                |
| Repayment of loans - unsecured                                     |       | (105,932)              | (83,704)               |
| Repayment of loan - Fonterra                                       |       | -                      | (200,000)              |
| Repayment of bank hire purchase loans                              |       | (81,034)               | (64,791)               |
| <b>Net financing cash flows</b>                                    |       | <b>5,045,636</b>       | <b>(212,302)</b>       |
| <b>Net increase / (decrease) in cash held</b>                      |       | <b>3,460,326</b>       | <b>(852,360)</b>       |
| Cash at the beginning of the period                                |       | 1,577,264              | 2,472,232              |
| <b>Cash at the end of the financial period</b>                     |       | <b>5,037,590</b>       | <b>1,619,872</b>       |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

|   |      | Issued<br>Capital<br>Ordinary | Option<br>Reserve | Accumulated<br>losses | Non-<br>controlling<br>Interest<br>(Trust) | Total             |
|---|------|-------------------------------|-------------------|-----------------------|--|-------------------|
|   | Note | \$                            | \$                | \$                    | \$   | \$                |
| <b>Balance at 1 July 2017</b>   |      | <b>17,379,491</b>             | <b>363,360</b>    | <b>(10,423,799)</b>   | <b>21,345,146</b>                          | <b>28,664,198</b> |
| <b>Comprehensive income for the half-year</b>                               |      |                               |                   |                       |  |                   |
| Loss attributable to company shareholders / trust unitholders               |      | -                             | -                 | (446,467)             | (419,149)                                  | (865,616)         |
| <b>Total comprehensive loss for the half-year</b>                           |      | <b>-</b>                      | <b>-</b>          | <b>(446,467)</b>      | <b>(419,149)</b>                           | <b>(865,616)</b>  |
| <b>Transactions with equityholders in their capacity as equity holders:</b> |      |                               |                   |                       |  |                   |
| Contributions of equity, net of transaction costs                           | 7    | 1,256,522                     | -                 | -                     | 3,749,566                                  | 5,006,088         |
| Option reserve - KMP options  |      | -                             | 79,141            | -                     | -  | 79,141            |
| Transfer to retained earnings   |      | -                             | (121,804)         | 121,804               | -  | -                 |
| <b>Total transactions with equity holders</b>                               |      | <b>1,256,522</b>              | <b>(42,663)</b>   | <b>121,804</b>        | <b>3,749,566</b>                           | <b>5,085,229</b>  |
| <b>Balance at 31 December 2017</b>  |      | <b>18,636,013</b>             | <b>320,697</b>    | <b>(10,748,462)</b>   | <b>24,675,563</b>                          | <b>32,883,811</b> |

|   |  | Issued<br>Capital<br>Ordinary | Option<br>Reserve | Accumulated<br>losses | Non-<br>controlling<br>Interest<br>(Trust) | Total              |
|---|--|-------------------------------|-------------------|-----------------------|--|--------------------|
|   |  | \$                            | \$                | \$                    | \$   | \$                 |
| <b>Balance at 1 July 2016</b>   |  | <b>16,347,345</b>             | <b>-</b>          | <b>(9,399,531)</b>    | <b>20,498,367</b>                          | <b>27,446,181</b>  |
| <b>Comprehensive income for the half-year</b>                               |  |                               |                   |                       |  |                    |
| Loss attributable to company shareholders / trust unitholders               |  | -                             | -                 | (575,380)             | (460,573)                                  | (1,035,953)        |
| <b>Total comprehensive loss for the half-year</b>                           |  | <b>-</b>                      | <b>-</b>          | <b>(575,380)</b>      | <b>(460,573)</b>                           | <b>(1,035,953)</b> |
| <b>Transactions with equityholders in their capacity as equity holders:</b> |  |                               |                   |                       |  |                    |
| Contributions of equity, net of transaction costs                           |  | 1,032,146                     | -                 | -                     | 2,016,439                                  | 3,048,585          |
| Option reserve - KMP options  |  | -                             | 511,282           | -                     | -  | 511,282            |
| Transfer to retained earnings   |  | -                             | (165,496)         | 165,496               | -  | -                  |
| Conversion of convertible notes   |  | -                             | -                 | -                     | (308,881)                                  | (308,881)          |
| <b>Total transactions with equity holders</b>                               |  | <b>1,032,146</b>              | <b>345,786</b>    | <b>165,496</b>        | <b>1,707,558</b>                           | <b>3,250,986</b>   |
| <b>Balance at 31 December 2016</b>  |  | <b>17,379,491</b>             | <b>345,786</b>    | <b>(9,809,415)</b>    | <b>21,745,352</b>                          | <b>29,661,214</b>  |

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of Preparation

Australian Dairy Farms Group ("the Group") was formed by the stapling of Australian Dairy Farms Limited ("the Company") and its controlled entities, and Australian Dairy Farms Trust ("the Trust"). The Financial Reports of the Group and the Trust have been presented jointly in accordance with ASIC Class Order 13/1050 relating to combining accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange.

These general purpose interim financial statements for the half-year reporting period ended 31 December 2017 have been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of Australian Dairy Farms Group for the year ended 30 June 2017, together with any public announcements made during the half-year.

These financial statements were authorised for issue on the date of signing the directors' report.

##### (b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The critical estimates and judgments in these financial statements are consistent with those applied and disclosed in the June 2017 annual report.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

#### NOTE 2: REVENUE AND EXPENSES

|   | December<br>2017  | December<br>2016  |
|---|-------------------|-------------------|
| (a) Revenue                                       |                   |                   |
| <i>Revenue</i>                                    | \$                | \$                |
| Sale of milk                                      | 4,132,802         | 3,105,215         |
| Dairy product sales                               | 6,200,444         | 9,061,584         |
| Livestock sales                                   | 225,194           | 609,170           |
| Other income                                      | 66,150            | 79,335            |
|   | <b>10,624,590</b> | <b>12,855,304</b> |
| <i>Other revenue</i>                              |                   |                   |
| Interest received - other persons                 | <b>9,276</b>      | <b>5,777</b>      |
| <b>Total Revenue</b>                              | <b>10,633,866</b> | <b>12,861,081</b> |
| <b>(b) Other Income</b>                           |                   |                   |
| Gain on disposal of property, plant and equipment | -                 | 442               |
| Fair value adjustment of biological assets        | -                 | 763,663           |
| <b>Total Other Income</b>                         | <b>-</b>          | <b>764,105</b>    |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### NOTE 2: REVENUE AND EXPENSES (cont'd)

|   | December<br>2017<br>\$ | December<br>2016<br>\$ |
|---|------------------------|------------------------|
| <b>(c) Expenses</b>   |                        |                        |
| <b>(i) Finance costs</b>                                    |                        |                        |
| CBA facility  | 208,197                | 210,020                |
| Loans - unsecured   | 7,029                  | 5,991                  |
| Other   | 242                    | 431                    |
| Finance charges payable under finance leases                | 12,431                 | 10,954                 |
| Interest accrued convertible note (related parties)         | -                      | 58,211                 |
|   | <b>227,899</b>         | <b>285,607</b>         |
| <b>(ii) Dairy related costs</b>                             |                        |                        |
| Feed costs  | 1,216,742              | 1,498,302              |
| Repairs, maintenance and vehicle costs                      | 159,732                | 140,832                |
| Animal health costs   | 59,169                 | 80,011                 |
| Land holding and lease costs                                | 66,657                 | 45,320                 |
| Breeding and herd testing expenses                          | 121,921                | 107,985                |
| Dairy shed expenses   | 62,238                 | 62,142                 |
| Electricity   | 93,655                 | 75,113                 |
| Other dairy related costs                                   | 737,879                | 732,704                |
|   | <b>2,517,993</b>       | <b>2,742,409</b>       |
| <b>(iii) Dairy processing related costs</b>                 |                        |                        |
| Costs of goods sold   | 4,040,284              | 5,516,603              |
| Freight charges   | 397,235                | 601,271                |
| Property related costs                                      | 204,704                | 159,440                |
| Other dairy processing costs                                | 593,476                | 561,558                |
| Total dairy related costs                                   | <b>5,235,699</b>       | <b>6,838,872</b>       |
| <b>(iv) Employee benefits expenses</b>                      |                        |                        |
| Wages and salaries  | 2,022,144              | 2,017,472              |
| Director fees   | 68,438                 | 81,637                 |
| Equity settled remuneration - securities and options        | 79,141                 | 871,282                |
| Superannuation  | 163,789                | 171,687                |
| Employee benefits provisions                                | 11,453                 | 63,057                 |
|   | <b>2,344,965</b>       | <b>3,205,135</b>       |
| <b>(v) Administration and non-dairy related costs</b>       |                        |                        |
| Administration costs  | 155,864                | 162,174                |
| Professional costs  | 195,576                | 134,888                |
|   | <b>351,440</b>         | <b>297,062</b>         |
| <b>(vi) Other significant items</b>                         |                        |                        |
| Deemed cost of livestock sold (refer note 3)                | 357,573                | 810,150                |
| Loss from changes to fair value of livestock (refer note 3) | 12,839                 | -                      |

### (d) Tax Expense

There is no income tax applicable to the result for the period due to the availability of carried forward tax losses.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### NOTE 3: BIOLOGICAL ASSETS

|                                     | Note | December<br>2017<br>\$ | June<br>2017<br>\$ |
|-------------------------------------|------|------------------------|--------------------|
| <b>Non-current</b>                  |      |                        |                    |
| Dairy cattle                        | (i)  | 5,251,636              | 5,426,719          |
| <b>Total biological assets</b>      |      | <b>5,251,636</b>       | <b>5,426,719</b>   |
| <b>Movements during the period:</b> |      |                        |                    |
| Opening carrying amount             |      | 5,426,719              | 4,516,400          |
| Purchases of livestock              |      | 195,329                | 484,447            |
| Deemed cost of livestock disposed   |      | (357,573)              | (941,400)          |
| Gain from changes to fair value     |      | (12,839)               | 1,367,272          |
| <b>Closing carrying amount</b>      |      | <b>5,251,636</b>       | <b>5,426,719</b>   |
| <b>Movements during the period:</b> |      | <b>Number</b>          | <b>Number</b>      |
| Opening balance                     |      | 3,504                  | 3,302              |
| Purchases                           |      | 139                    | 353                |
| Natural increase and attrition      |      | 503                    | 1,446              |
| Sales                               |      | (571)                  | (1,597)            |
| <b>Closing balance</b>              |      | <b>3,504</b>           | <b>3,504</b>       |

(i) Biological assets represent the dairy livestock owned by the Group. The livestock is valued at fair value, by an independent stock agent, based on the prices in the open dairy cattle market in the locality of the Group's dairy operations. A fair value loss of \$12,839 (June 2017: \$1,367,272 gain) has been recognised in profit and loss at 31 December 2017, and represents price movements, natural increase and the movement in ages of young stock.

### NOTE 4 INTANGIBLE ASSETS

|                                | Notes | December<br>2017<br>\$ | June<br>2017<br>\$ |
|--------------------------------|-------|------------------------|--------------------|
| <b>Goodwill</b>                |       |                        |                    |
| - at cost                      | (a)   | 6,616,393              | 6,616,393          |
|                                |       | <b>6,616,393</b>       | <b>6,616,393</b>   |
| <b>Contractual agreements</b>  |       |                        |                    |
| - at fair value                |       | 225,000                | 225,000            |
| Less accumulated amortisation  |       | (225,000)              | (192,225)          |
|                                |       | <b>-</b>               | <b>32,775</b>      |
| <b>Product development</b>     |       |                        |                    |
| - at cost                      |       | 34,645                 | -                  |
| Less accumulated amortisation  |       | (1,913)                | -                  |
|                                |       | <b>32,732</b>          | <b>-</b>           |
| <b>Total intangible assets</b> |       | <b>6,649,125</b>       | <b>6,649,168</b>   |

(a) The directors have reviewed the carrying value of goodwill and have adopted the current carrying values at 31 December 2017.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

### NOTE 5: PROPERTY, PLANT AND EQUIPMENT

|  | Note | December<br>2017<br>\$ | June<br>2017<br>\$ |
|--|------|------------------------|--------------------|
| <b>Land, buildings and improvements</b>    |      |                        |                    |
| - at cost                                  |      | 22,737,503             | 22,461,351         |
| Less accumulated depreciation              |      | (599,489)              | (556,693)          |
| Less accumulated impairment                | (ii) | (2,447,564)            | (2,447,564)        |
|  | (i)  | <b>19,690,450</b>      | <b>19,457,094</b>  |
| <b>Plant and equipment - owned</b>         |      |                        |                    |
| - at cost                                  |      | 6,896,145              | 6,808,552          |
| Less accumulated depreciation              |      | (1,287,016)            | (976,143)          |
|  |      | <b>5,609,129</b>       | <b>5,832,409</b>   |
| <b>Plant and equipment - leased</b>        |      |                        |                    |
| - at cost                                  |      | 915,633                | 783,803            |
| Less accumulated depreciation              |      | (136,959)              | (100,036)          |
|  |      | <b>778,674</b>         | <b>683,767</b>     |
| <b>Total property, plant and equipment</b> |      | <b>26,078,253</b>      | <b>25,973,270</b>  |

(i) Below is a table showing the carrying value of land, buildings and improvements by farm/location:

|  |                   |                   |
|--|-------------------|-------------------|
| Brucknell No 1 - Farm                                      | 22 October 2014   | 4,115,880         |
| Brucknell No 2 - Farm                                      | 22 October 2014   | 4,367,696         |
| Ignatios - Farm  | 14 January 2015   | 2,218,596         |
| Brucknell No 3 - Farm                                      | 6 March 2015      | 2,278,823         |
| Missens Road - Farm  | 9 July 2015       | 1,548,228         |
| Drumborg - Farm  | 16 September 2015 | 4,888,233         |
| Depot & Old Geelond Rd<br>(Camperdown) - Land <sup>1</sup> | 17 November 2017  | 272,994           |
| <b>Total</b>   |                   | <b>19,690,450</b> |

<sup>1</sup> As announced to ASX on 17 November 2017, the Group acquired Camperdown Dairy Park land for the development of a new 'end to end' dairy product facility.

Land, buildings and improvements represents the total holding costs of each farm including purchase price, acquisition costs, capitalised development and land improvement costs since acquisition.

(ii) With an effective date at 30 June 2016, registered valuer Mr Roger Cussen provided an independent valuation of all farms in light of recent sales evidence at the time, assessing the fair value of the combined properties at \$19,508,692.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### NOTE 6: BORROWINGS

|                                     | Notes | December<br>2017<br>\$ | June<br>2017<br>\$ |
|-------------------------------------|-------|------------------------|--------------------|
| <b>Current</b>                      |       |                        |                    |
| Loans - unsecured                   |       | 97,099                 | 21,846             |
| Bank hire purchase loans - secured  |       | 179,346                | 162,237            |
| <b>Total current borrowings</b>     |       | <b>276,445</b>         | <b>184,083</b>     |
| <b>Non-current</b>                  |       |                        |                    |
| Bank hire purchase loans - secured  |       | 385,465                | 418,278            |
| CBA facility                        | (i)   | 10,000,000             | 10,000,000         |
| <b>Total non-current borrowings</b> |       | <b>10,385,465</b>      | <b>10,418,278</b>  |
| <b>Total borrowings</b>             |       | <b>10,661,910</b>      | <b>10,602,361</b>  |

(i) At 31 December 2017 the Group has banking facilities with the Commonwealth Bank of Australia Limited (CBA). The facility is a three year redrawable loan facility of \$10,000,000 which has a maturity date of 15 April 2019. The facility is subject to compliance with predetermined covenants and an annual review. The directors have classified the facility as a non-current liability in its entirety based on the facility not maturing until 15 April 2019, the Group's intentions to retain the facility prior to maturity date and meeting all covenants during the period and subsequent to balance date. The facility is drawn to \$10,000,000 at 31 December 2017 (June 2017: \$10,000,000).

#### Collateral Provided:

The CBA facility is secured by a first registered mortgage over all the Group farms and a general security interest over all assets of Australian Dairy Farms Trust (ADFT). In addition the Company has provided a negative pledge to not grant a security interest over its shareholding in Camperdown Dairy Company, and an unlimited guarantee secured over all its present and after acquired property.

Lease liabilities are secured by the underlying leased assets.

#### NOTE 7: ISSUED CAPITAL

|                                 | December<br>2017<br>\$ | June<br>2017<br>\$ |
|---------------------------------|------------------------|--------------------|
| Contributed equity of the Group | 49,381,004             | 44,374,916         |

#### Movement in stapled securities:

| Date                    | Details                           | Number<br>of Stapled<br>Securities | Issue Price<br>\$ | Shareholders<br>\$ | Unitholders<br>\$ | Stapled Entity<br>\$ |
|-------------------------|-----------------------------------|------------------------------------|-------------------|--------------------|-------------------|----------------------|
| 01 Jul 2017             | Opening balance                   | 197,633,109                        |                   | 17,379,491         | 26,995,425        | 44,374,916           |
| 07 Sep 2017             | Placement                         | 37,037,037                         | 0.135             | 1,250,000          | 3,750,000         | 5,000,000            |
| 17 Nov 2017             | Purchase of CDPT land (i)         | 121,900                            | 0.164             | 10,000             | 10,000            | 20,000               |
|                         | Transaction costs                 |                                    |                   | (3,478)            | (10,434)          | (13,912)             |
| <b>31 December 2017</b> |                                   | <b>234,792,046</b>                 |                   | <b>18,636,013</b>  | <b>30,744,991</b> | <b>49,381,004</b>    |
| 01 Jul 2016             | Opening balance                   | 181,005,330                        |                   | 16,347,345         | 25,287,867        | 41,635,212           |
| 19 Sep 2016             | KPI performance rights (ii)       | 2,000,000                          | 0.18              | 360,000            | -                 | 360,000              |
| 09 Nov 2016             | Convertible note conversion (iii) | 14,627,779                         | 0.1838            | 672,146            | 1,707,558         | 2,379,704            |
| <b>30 June 2017</b>     |                                   | <b>197,633,109</b>                 |                   | <b>17,379,491</b>  | <b>26,995,425</b> | <b>44,374,916</b>    |

The basis of allocation of the issue price of stapled securities issued post stapling is determined by arrangement between the Company and Trust as set out in the Stapling Deed.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### NOTE 7: ISSUED CAPITAL (cont'd)

- (i) On 17 November 2017, Camperdown Dairy Park land was acquired for total consideration of \$260,000, comprising cash of \$240,000 and a non-cash \$20,000 component of stapled securities.
- (ii) On 1 July 2016 there was 2,000,000 stapled securities granted to management personnel as share-based payments. The fair value of securities granted, determined by reference to market price, was \$360,000.
- (iii) On 9 November 2016, the holders of the 235 unlisted convertible notes converted to fully paid stapled securities. The value of the convertible notes plus accrued interest at the date of conversion was \$2,688,586, which included accrued interest of \$58,211 for the year and \$308,881 classified as the equity component of the convertible notes on initial recognition. 14,627,779 stapled securities were issued in consideration.
- (iv) Performance options on issue at balance date 8,700,000 (30 June 2017: 12,540,000).

#### NOTE 8: SEGMENT REPORTING

| <b>(a) Segment Performance</b>  | <b>Dairy Farm</b> | <b>Dairy Processing</b> | <b>Total</b>      |
|---|-------------------|-------------------------|-------------------|
| <b>31 December 2017</b>   |                   |                         |                   |
| <b>Revenue</b>  | <b>\$</b>         | <b>\$</b>               | <b>\$</b>         |
| External sales  | 4,378,146         | 6,246,444               | 10,624,590        |
| Interest revenue  | 9,052             | 224                     | 9,276             |
| <b>Total segment revenue</b>  | <b>4,387,198</b>  | <b>6,246,668</b>        | <b>10,633,866</b> |
| <b>Total group revenue</b>  |                   |                         | <b>10,633,866</b> |
| <b>Segment net profit / (loss) before tax</b>                                 | <b>589,230</b>    | <b>(455,876)</b>        | <b>133,354</b>    |
| <b>Reconciliation of segment result to group net profit/(loss) before tax</b> |                   |                         |                   |
| <b>(i) Amounts not included in segment result but reviewed by the Board</b>   |                   |                         |                   |
| Corporate charges   |                   |                         | (790,773)         |
| Finance costs - bank facility   |                   |                         | (208,197)         |
| <b>Net profit before tax</b>  |                   |                         | <b>(865,616)</b>  |

| <b>(a) Segment Performance</b>  | <b>Dairy Farm</b> | <b>Dairy Processing</b> | <b>Total</b>       |
|---|-------------------|-------------------------|--------------------|
| <b>31 December 2016</b>   |                   |                         |                    |
| <b>Revenue</b>  | <b>\$</b>         | <b>\$</b>               | <b>\$</b>          |
| External sales  | 3,731,350         | 9,123,954               | 12,855,304         |
| Other income  | 764,105           | -                       | 764,105            |
| Interest revenue  | 5,777             | -                       | 5,777              |
| <b>Total segment revenue</b>  | <b>4,501,232</b>  | <b>9,123,954</b>        | <b>13,625,186</b>  |
| <b>Total group revenue</b>  |                   |                         | <b>13,625,186</b>  |
| <b>Segment net profit / (loss) before tax</b>                                 | <b>(24,610)</b>   | <b>415,193</b>          | <b>390,583</b>     |
| <b>Reconciliation of segment result to group net profit/(loss) before tax</b> |                   |                         |                    |
| <b>(i) Amounts not included in segment result but reviewed by the Board</b>   |                   |                         |                    |
| Corporate charges   |                   |                         | (1,216,516)        |
| Finance costs - bank facility   |                   |                         | (210,020)          |
| <b>Net profit before tax</b>  |                   |                         | <b>(1,035,953)</b> |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

NOTE 8: SEGMENT REPORTING (cont'd)

|                                 | Dairy Farms      | Dairy Processing | Total             |
|---------------------------------|------------------|------------------|-------------------|
| <b>(b) Segment Assets</b>       |                  |                  |                   |
| <b>As at 31 December 2017</b>   |                  |                  |                   |
| <b>Segment assets</b>           | \$<br>34,013,933 | \$<br>11,985,080 | \$<br>45,999,013  |
| <b>Segment assets include:</b>  |                  |                  |                   |
| Additions to non-current assets | 441,263          | 370,830          | 812,093           |
| <b>Total group assets</b>       |                  |                  | <b>45,999,013</b> |

|                                 | Dairy Farms      | Dairy Processing | Total             |
|---------------------------------|------------------|------------------|-------------------|
| <b>(b) Segment Assets</b>       |                  |                  |                   |
| <b>As at 30 June 2017</b>       |                  |                  |                   |
| <b>Segment assets</b>           | \$<br>29,725,105 | \$<br>13,328,301 | \$<br>43,053,406  |
| <b>Segment assets include:</b>  |                  |                  |                   |
| Additions to non-current assets | 892,066          | 177,384          | 1,069,450         |
| <b>Total group assets</b>       |                  |                  | <b>43,053,406</b> |

|   | Dairy Farms     | Dairy Processing | Total             |
|---|-----------------|------------------|-------------------|
| <b>(c) Segment Liabilities</b>                                    |                 |                  |                   |
| <b>As at 31 December 2017</b>                                     |                 |                  |                   |
| <b>Segment liabilities</b>  | \$<br>1,608,412 | \$<br>1,506,790  | \$<br>3,115,202   |
| <b>Reconciliation of segment liabilities to group liabilities</b> |                 |                  |                   |
| <b>Unallocated liabilities</b>                                    |                 |                  |                   |
| CBA facility (refer note 6)                                       |                 |                  | 10,000,000        |
| <b>Total group liabilities</b>                                    |                 |                  | <b>13,115,202</b> |

|   | Dairy Farms     | Dairy Processing | Total             |
|---|-----------------|------------------|-------------------|
| <b>(c) Segment Liabilities</b>                                    |                 |                  |                   |
| <b>As at 30 June 2017</b>   |                 |                  |                   |
| <b>Segment liabilities</b>  | \$<br>2,052,969 | \$<br>2,336,239  | \$<br>4,389,208   |
| <b>Reconciliation of segment liabilities to group liabilities</b> |                 |                  |                   |
| <b>Unallocated liabilities</b>                                    |                 |                  |                   |
| CBA facility (refer note 6)                                       |                 |                  | 10,000,000        |
| <b>Total group liabilities</b>                                    |                 |                  | <b>14,389,208</b> |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### NOTE 9: FAIR VALUE MEASUREMENTS

##### (a) Fair Value Hierarchy

The following tables provide the fair values of the Group's assets measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

##### 31 December 2017

|   | Note | Level 1<br>\$ | Level 2<br>\$    | Level 3<br>\$ | Total<br>\$      |
|---|------|---------------|------------------|---------------|------------------|
| <b>Non-financial assets</b>   |      |               |                  |               |                  |
| Biological assets   | 3    | -             | 5,251,636        | -             | 5,251,636        |
| <b>Total non-financial assets recognised at fair value on a recurring basis</b> |      | -             | <b>5,251,636</b> | -             | <b>5,251,636</b> |
| <b>30 June 2017</b>   |      |               |                  |               |                  |
| Biological assets   | 3    | -             | 5,426,719        | -             | 5,426,719        |
| <b>Total non-financial assets recognised at fair value on a recurring basis</b> |      | -             | <b>5,426,719</b> | -             | <b>5,426,719</b> |

##### (b) Techniques and Inputs Used to Measure Level 2 Fair Values

The following tables provide the fair values of the Group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

| Description                 | Fair Value at 31<br>December 2017<br>\$ | Valuation Technique(s)   | Input Used               |
|-----------------------------|---|--|--------------------------|
| <b>Non-financial assets</b> |   |  |                          |
| Biological assets           | 5,251,636                               | Market approach using recent observable market data for dairy cattle | Breed, weight, condition |
|                             | <u>5,251,636</u>                        |  |                          |

#### NOTE 10: EARNINGS PER STAPLED SECURITY CALCULATIONS

|   | December<br>2017<br>cents       | December<br>2016<br>cents       |
|---|---------------------------------|---------------------------------|
| <b>Earnings per stapled security:</b>   |                                 |                                 |
| Basic loss per stapled security   | (0.39)                          | (0.56)                          |
| Diluted loss per stapled security   | (0.39)                          | (0.56)                          |
| <b>Reconciliation of earnings to profit or loss:</b>  |                                 |                                 |
| Profit / (loss) attributable to shareholders and unitholders  | (865,616)                       | (1,035,953)                     |
|   | <b>Number of<br/>Securities</b> | <b>Number of<br/>Securities</b> |
| <b>Weighted average number of stapled securities outstanding during the year used in calculating basic EPS</b>    | 220,937,059                     | 186,287,540                     |
| Weighted average number of options outstanding  | -                               | -                               |
| <b>Weighted average number of stapled securities outstanding during the year used in calculating dilutive EPS</b> | <b>220,937,059</b>              | <b>186,287,540</b>              |

Options are considered to be dilutive potential ordinary securities however they are anti-dilutive at 31 December 2017 as the Group is in losses and the ASX market price for AHF stapled securities is below the exercise prices of all options on issue.

### FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

#### NOTE 11: EVENTS AFTER THE END OF THE INTERIM PERIOD

A General Meeting of the Group was held 12 February 2018, with all resolutions voted in favour. The resolutions of the meeting included advisory approval to advance a potential restructure of trust assets, adoption of an amended ADFG incentive plan and the cancellation and issue of securities and performance options to KMP. The changes from these resolutions are after balance date adjustments and as such any financial impact will be reported at 30 June 2018.

The directors are not aware of any other significant events post 31 December 2017.



# Australian Dairy Farms

## DIRECTORS' DECLARATION

For the half-year ended 31 December 2017

In accordance with a resolution of the directors of Australian Dairy Farms Group, the directors of the stapled entity declare that:

- (a) the financial statements and notes set out on pages 7 to 19 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

---

**Michael Leslie Hackett**  
Chairman

Brisbane

28 February 2018



### Auditor's Independence Declaration

#### Under Section 307C of the *Corporations Act 2001*

#### To the Directors of Australian Dairy Farms Limited

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Australian Dairy Farms Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Nexia Brisbane Audit Pty Ltd'.

#### Nexia Brisbane Audit Pty Ltd

A handwritten signature in black ink that reads 'ND Bamford'.

**ND Bamford**  
Director

Date: 28 February 2018

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## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AUSTRALIAN DAIRY FARMS LIMITED

### Report on the Half-Year Financial Report

Australian Dairy Farms Group ("Australian Dairy Farms") comprises Australian Dairy Farms Limited and the entities it controlled at the end of the half-year or from time to time during the half-year, including Australian Dairy Farms Trust ("the Trust").

We have reviewed the accompanying half-year financial report of the Australian Dairy Farms Group, which comprises the consolidated condensed statement of financial position as at 31 December 2017, the consolidated condensed statement of profit or loss and other comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Director's Responsibility for the Half-Year Financial Report

The directors of Australian Dairy Farms Limited and the directors of Trustees Australia Limited as responsible entity for the Australian Dairy Farms Trust (collectively referred to as "the directors") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Australian Dairy Farms Group financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Dairy Farms Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Nexia Brisbane Audit Pty Ltd

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## **INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF AUSTRALIAN DAIRY FARMS LIMITED (CONTINUED)**

### **Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Australian Dairy Farms Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

### **Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Dairy Farms Group is not in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of Australian Dairy Farms Group financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- ii. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads "Nexia Brisbane Audit Pty Ltd".

**Nexia Brisbane Audit Pty Ltd**

A handwritten signature in black ink that reads "Nigel Bamford".

**ND Bamford**

Director

Level 28, 10 Eagle Street,  
Brisbane, QLD, 4000

Date: 28 February 2018

## CORPORATE DIRECTORY

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### Board of Directors

Michael Hackett  
*Chairman*

Adrian Rowley  
*Director*

Peter Skene  
*Director*

### Company Secretary

Jerome Jones  
*Company Secretary*

### Registered Office

Level 3, 140 Ann Street  
Brisbane QLD 4000

Telephone: (07) 3020 3020  
Facsimile: (07) 3020 3080  
Email: [shareholders@adfl.com.au](mailto:shareholders@adfl.com.au)  
Web: [www.adfl.com.au](http://www.adfl.com.au)

### Corporate Office

Level 3, 140 Ann Street  
Brisbane QLD 4000

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Telephone: (07) 3020 3020  
Facsimile: (07) 3020 3080  
Email: [shareholders@adfl.com.au](mailto:shareholders@adfl.com.au)  
Web: [www.adfl.com.au](http://www.adfl.com.au)

### Share Register

Link Market Services Limited  
Level 21  
10 Eagle Street  
Brisbane QLD 4000

Telephone: 1300 554 474  
Facsimile: (02) 9287 0309  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Web: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

### Auditor

Nexia Brisbane Audit Pty Ltd  
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### Stock Exchange

Australian Dairy Farms Group is listed on the official List of the Australian Securities Exchange Limited (ASX).

The ASX Code is "AHF".



# Australian Dairy Farms