

1 August 2014

Dear Shareholder

GENERAL MEETING OF SHAREHOLDERS

Enclosed is APA Financial Services Limited's Notice of General Meeting of Shareholders. The General Meeting will be held at 10.30am AEST on Monday 1 September 2014 at Ether Conference Centre, the Earth Room, 265 Little Bourke Street, Melbourne, Victoria.

At the General Meeting shareholder approval will be sought for, amongst other things the Company to sell its OneVue shares (currently the Company's main undertaking) and for the Company to change the nature of its activities to allow it to acquire and operate dairy farms. Subject to shareholder approval, the Company will change its name to Australian Dairy Farms Limited, consolidate its shares, staple its shares to units in the Australian Dairy Farms Trust (a registered management investment scheme) and acquire dairy farms in regional Victoria.

Included in this envelope is:

1 The Meeting Booklet

The Meeting Booklet includes the Notice of General Meeting, an Explanatory Memorandum, Stapling Deed Poll and the Product Disclosure Statement. The Notice of General Meeting details all resolutions being put to shareholders at the meeting and provides an explanatory statement as to why the Company's directors recommend shareholders vote in favour of each resolution.

2 Pitcher Partner's Independent Expert's Report including independent valuations

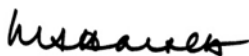
Pitcher Partners Corporate Finance Limited has prepared an independent expert's report opining that the Trustees Australia Transaction (as defined in the Meeting Booklet) is fair and reasonable to shareholders who are not associated with Michael Hackett and Trustees Australia Limited.

3 Shareholder Proxy Form

This form can be used to lodge your vote with the Company ahead of the meeting or to nominate a representative to attend, and vote, on your behalf.

Shareholders are urged to read the Meeting Booklet and accompanying report in full. Should you have any queries regarding any of the enclosed documents, please contact the Company or seek your own professional advice.

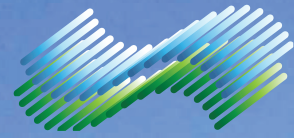
Yours sincerely,



APA FINANCIAL SERVICES LIMITED

MICHAEL HACKETT

Chairman



Australian Dairy Farms Group

APA Financial Services Limited ASX code APP

MEETING BOOKLET

Notice of General Meeting • Explanatory Memorandum • Product Disclosure Statement

A General Meeting of APA Financial Services Limited (ABN: 36 057 046 607)

will be held on

Monday 1 September 2014

at Ether Conference Centre, The Earth Room

265 Little Bourke Street, Melbourne VIC 3000

at 10.30am AEST

The Meeting Booklet contains detailed information about the Proposal, the impacts on Shareholders and the Resolutions to be voted on. This Meeting Booklet forms part of the Product Disclosure Statement issued by Trustees Australia Limited (ABN 42 010 653 862, AFSL 260033) in its capacity as responsible entity of the Australian Dairy Farms Trust (ARSN: 600 601 689)

This Meeting Booklet should be read in its entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their professional advisor prior to voting. Shareholders should carefully consider the Independent Expert's Report prepared by Pitcher Partners Corporate Finance Limited for the purposes of Listing Rule 10.10. The Independent Expert's Report comments on the fairness and reasonableness of the Trustees Australia Transaction to the non-associated Shareholders. The Independent Expert has determined that the Trustees Australia Transaction is fair and reasonable to the non-associated Shareholders. Please contact the Company Secretary on +61 7 3020 3020 if you wish to discuss any matter concerning the Meeting.



Australian Dairy Farms

Important Notice

What is this booklet?

As previously announced, most recently on 23 June 2014, the Board of APA Financial Services Limited (**Company**) proposes to create a stapled ASX listed group (the **Group**) which will acquire dairy farms. It is proposed that the Group will be listed on ASX under the ASX code 'AHF'. The Meeting Booklet includes a Notice of Meeting and Explanatory Memorandum dated 1 August 2014 issued by the Company, and a product disclosure statement dated 1 August 2014 (**PDS**) relating to the Units and issued by Trustees Australia Limited ACN 010 653 862 as trustee for the Australian Dairy Farms Trust. The PDS is required as Stapling involves an issue of Units to Eligible Shareholders. Prior to the issue of any Units the trust will be registered as a managed investment scheme.

This Meeting Booklet provides information for Shareholders to consider and vote on the Resolutions to approve the change of nature and scale of the Company's activities (Resolution 1B) and Stapling (Resolution 4) and certain other matters to effect the Proposal. Shareholders will have the right to vote on the Resolutions, subject to the voting exclusions set out in the Notice of Meeting.

No investment advice - voting decisions and investment

If the Proposal is implemented, an investment in the Group will be subject to investment and other risks, including loss of income and the principal invested. The Company does not provide any guarantee or assurance as to the performance of the Group or the repayment of capital.

The information contained in this Meeting Booklet is not financial product advice and does not take into account the investment objectives, tax position, financial situation and particular needs of Shareholders. Accordingly, before making any investment you should read this Meeting Booklet, the PDS and any supplementary or replacement PDS in full. It is recommended that before a decision in relation to the Resolutions is made Shareholders should consult their financial or other professional adviser.

Responsibility statement

The Company takes full responsibility for the contents of this Meeting Booklet, subject to the limitations set out below.

Pitcher Partners has prepared the Independent Expert's Report which accompanies this Meeting Booklet. Pitcher Partners takes responsibility for that report. Neither the Company, nor any of its Directors, representatives, officers, employees or advisers assumes any of the Independent Expert's responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except to the extent that those parties are responsible for the factual information provided to Pitcher Partners in the preparation of the Independent Expert's Report.

Forward looking statements

This Meeting Booklet contains forward-looking statements in relation to the financial performance and strategy of the Group. Those forward-looking statements are made only as at the date of this Meeting Booklet.

Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Group concerning future results and events at the date of this Meeting Booklet and are not and cannot be guarantees of future performance. The actual results or outcomes for the Group may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements or forecasts.

Subject to any obligations under the Corporations Act or the Listing Rules, the Group disclaims any obligation or undertaking to disseminate after the date of this Meeting Booklet any update or revisions to any forward-looking statements to reflect any change in expectations in relation to any of those statements or any change in circumstances, events or conditions on which any of those statements are based.

The risk factors and disadvantages in section 16 of this Meeting Booklet or other factors (which could be unknown, unpredictable or result from a variation in the assumptions underlying any forecasts), could cause actual results to differ materially from those expressed, implied or projected in any forward-looking statements or forecasts.

None of the Company, or any of its representatives, officers, employees or advisers (including any person named in this Meeting Booklet or any person involved in the preparation of it) gives any representation, assurance or guarantee (express or implied) that the results, performance or achievements expressed or implied by the forward looking statements in this Meeting Booklet will actually occur.

Notice to Foreign Investors

This Meeting Booklet and the PDS do not in any way constitute an offer of securities or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. See section 8.10 for details on how Shares held by Ineligible Shareholders will be dealt with.

Read the PDS

The Proposal will, if approved and implemented, result in Trustees Australia in its capacity as responsible entity of the Trust issuing Units to Eligible Shareholders. This Meeting Booklet forms part of the PDS (set out in Annexure 5) issued by Trustees Australia in its capacity as responsible entity of the Trust. You should also consider the PDS in deciding whether to vote in favour of the Proposal.

Definitions

Unless otherwise defined in this Meeting Booklet, terms and abbreviations used in this Meeting Booklet have defined meanings which are set out in the Definitions in section 20. This Meeting Booklet is dated 1 August 2014.

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Key Dates

Dispatch Meeting Booklet	1 August 2014
Public Offer Document lodged with ASIC	14 August 2014
Public Offer opens	21 August 2014
Last date to lodge proxy forms	30 August 2014
Meeting of Shareholders	1 September 2014
Record Date to determine entitlement under the Stapling Issue	11 September 2014
Close Public Offer	17 September 2014
Issue of securities under the Stapling Issue and Public Offer and dispatch of holding statements	25 September 2014
Trading of Stapled Securities expected to commence	30 September 2014

Dates in this Meeting Booklet are indicative only. The Company reserves the right to amend any or all of these dates subject to applicable laws, or to withdraw the Proposal without prior notice. Any amendment to the timetable will be announced to the market through ASX. Unless otherwise specified, all times and dates refer to AEST.

The quotation and commencement of trading of the Stapled Securities is subject to confirmation from ASX.

1 LETTER FROM THE CHAIRMAN

Dear APA Shareholder

On behalf of the Board and as a director of the Company's largest shareholder I am pleased to invite you to participate in voting for an exciting new future for the Company, which the directors believe has sound prospects for increasing shareholder value and returns.

As you know, the Board has been seeking opportunities for worthwhile investments for the Company for some time. In late 2012 it commenced investigations into investing in the Australian dairy industry in Victoria. As a result of its assessments, the Board recommends to Shareholders that the Company takes the opportunity to invest in the Australian dairy industry as a producer of milk.

The opportunity is to:

- aggregate and operate potentially high quality dairy farms with value growth capability in prime locations;
- enter the industry at a time when farm prices are at cyclical lows;
- grow revenues and shareholder value by maximising volume related price growth through aggregated milk production; and
- build significant scale in the number of farms and gain investment exposure to the potentially increasing values of dairy farm property.

During the next several weeks, a prospectus and product disclosure statement will be finalised and lodged with ASX and ASIC to raise new capital of up to \$14.5 million by way of a public offer of Stapled Securities. If the capital raising is successful and Shareholders approve the resolutions in this Meeting Booklet, the Company will change its name to Australian Dairy Farms Limited and work to become a lead participant in undertaking an aggregation of dairy farms, initially in the prime South West Victoria dairy region.

Shareholders will be offered a Priority Offer of 10,000 Stapled Securities under the Public Offer. The proposed stapled structure known as Australian Dairy Farms Group, comprises Australian Dairy Farms Limited as the dairy farm operator and manager; and Australian Dairy Farms Trust as the owner of the farm lands and buildings. The details of the Proposal are set out in the Explanatory Memorandum in the Meeting Booklet.

The Board is genuinely excited by the prospects for the Company in pursuing this investment opportunity which the Board believes has many positive attributes associated with being in an established and growing global food supply industry that offers the potential for long term positive cash flow and profitability.

As with any investment, there are risks associated. Please carefully consider this Meeting Booklet and, if necessary, seek professional advice to make an informed decision. I encourage existing Shareholders to continue and to consider extending their holdings in the Group by taking up the Priority Offer of Stapled Securities under the Public Offer.

Yours faithfully



Michael Hackett
Chairman

Topic	Details	For more information
Background to the Proposal		
<p>What is the Proposal?</p>	<p>Under the Proposal, Eligible Shareholders will have their Shares consolidated into New Shares on a five for one basis and then be issued an equal number of Units in the Australian Dairy Farms Trust (a registered managed investment scheme).</p> <p>The Company and Trust (together the Group, to be known as the Australian Dairy Farms Group, with the proposed ASX Code AHF) will then together acquire and operate dairy farms, initially by acquiring two farms in the Warrnambool area of South Western Victoria, Australia.</p> <p>Eligible Shareholders will have an investment in operating dairy farms through holding New Shares and dairy farmland through holding Units.</p> <p>The Proposal requires Shareholder approval, to be sought at the Meeting.</p>	<p>Section 3</p>
<p>What will the key features of the Group be following Completion?</p>	<p>The Group's business focus will be milk production, and dairy farm ownership providing an investment exposure to the operations of milk production and the value of dairy property. The Group will initially have two dairy farms, and will actively seek to acquire further farms which fit its investment criteria.</p>	<p>Sections 3.9 to 3.11</p>
<p>How will the Proposal be implemented?</p>	<p>The Proposal will be implemented through:</p> <ul style="list-style-type: none"> • the Company changing its name to Australian Dairy Farms Limited; • the Consolidation on the basis of one new Share for each 5 existing Shares held and a subsequent issue of Units to Eligible Shareholders of one Unit for each New Share held on the Record Date, so that New Shares and Units can be stapled; • raising between \$7.5 million and \$14.5 million under the Public Offer; • the Trust completing the acquisition of one farm and repaying debts owed to Trustees Australia with respect to the other; • the Company exercising the SWDF Option and acquiring SWDF, which has operated and leased the dairy farms from the Trust with effect from 1 July 2014; and • the Group actively seeking to acquire further farms. 	<p>Section 3</p>

Topic	Details	For more information
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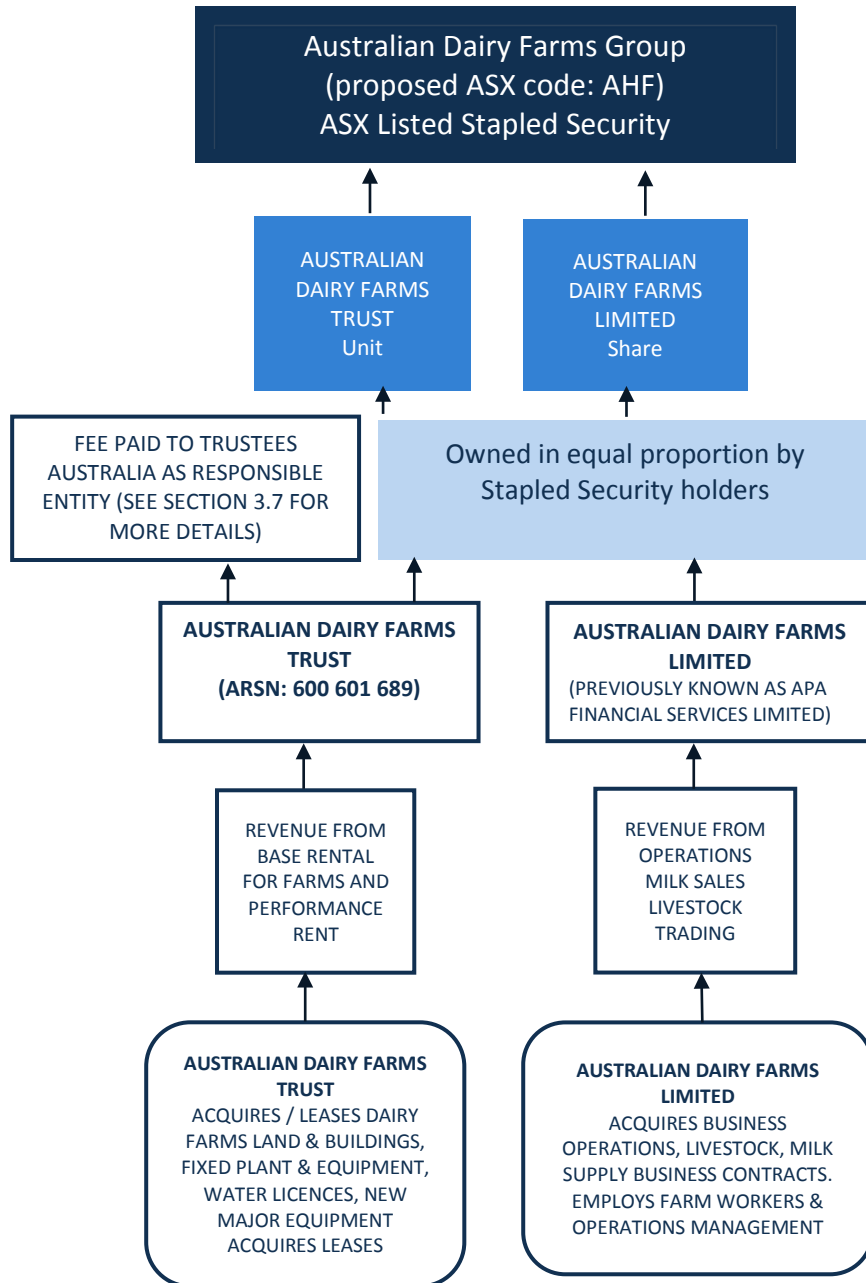
How will the Group structure change and what will it be following Completion?

The Company's New Shares will be stapled with Units (together known as Stapled Securities), with the Company and Trust operating as one combined group.

Section 3.6

Holder of Stapled Securities may only trade both New Shares and Units together.

Following is the structure following Completion:



Who will manage the Group?

In the early stages of the Group's acquisition plans, the Directors will manage the Group in conjunction with a small team of experienced non-executive consultants and existing, full-time operational on-farm managers.

Section 3.7

As additional farms are acquired an executive team

Topic	Details	For more information
	will be progressively assembled.	
What will be the Group's financial position?	Following Completion the Group will have between \$1.97 million and \$6.53 million cash and \$1.7 million in livestock, and between \$4.72 million and \$6.72 million in debt, depending upon the amount raised under the Public Offer.	Section 3.16
What is the rationale for, and the key benefits of, the Proposal?	<p>After comprehensive analysis of the Australian dairy industry and studying data relating to the growing global demand for clean and safe dairy products, the Board has concluded that realistic opportunities exist for profitable consolidation of significant segments of the supply side (farming and milk production) of the Australian industry in certain key dairy producing locations.</p> <p>The key benefits of the Proposal are:</p> <ul style="list-style-type: none"> • Opportunity to invest in an industry which has prospects for significant growth in global demand for dairy products and potentially to increases in the value of the dairy farm property. • A new business activity which may lead to an increase in price and liquidity for the Group's securities. • Opportunity to potentially increase Shareholder value and distributions. 	Sections 3 and 4.1
What are the key risks and disadvantages of the Proposal?	<ul style="list-style-type: none"> • Shareholders will have their interests in the Company diluted. • The Group has limited operating history in dairy farms and will rely on experienced consultants and staff. • The Proposal involves further acquisitions of dairy farms, which entails risks and potentially further dilution. • Dairy farm operations are exposed to a number of risks both within and outside the Group's control, including weather and commodity prices. • The Group will have debts of between \$4.72 million and \$6.72 million, depending upon the amount raised under the Public Offer. 	Sections 4 and 16
Stapling		
What are Units?	Units are issued by the Trust and represent the holder's interest in the Trust, which owns land and buildings used for the Group's dairy farms.	Sections 3.6 and 8

Topic	Details	For more information
What is Stapling?	Securities of the Trust and the Company that comprise the Group are “stapled” so that they can only be traded together as a single security.	Sections 3.6 and 8
What are the benefits of Stapling?	<p>Stapled Securities allow the holder to receive the benefits of holding both shares (such as franked dividends) and trust units (which have net trust income distributed rather than retained).</p> <p>Additionally, the structure may provide cost effective restructuring opportunities as the farm assets acquired increase.</p>	Sections 3.6 and 8
How will Stapling be affected?	<p>Stapling will be effected by:</p> <ul style="list-style-type: none"> • Consolidating existing Shares on issue; • selling Shares held by Ineligible Shareholders (who cannot be issued Units for legal reasons); • issuing Units to Eligible Shareholders so that they hold an equal number of New Shares and Units; and • having both the Company and Trust adopt constitutions and enter into the Stapling Deed which require the two entities to operate as one group (including by only allowing New Shares and Units to be transferred together as Stapled Securities). 	Sections 3.6 and 8
Do you need to make any payment under the Stapling?	No. Your investment in the Group will be achieved through the Consolidation and issuing Units in the Trust for no consideration.	Sections 3.6 and 8
Public Offer		
What is the Public Offer?	Under the Public Offer, the Group will seek to raise between \$7.5 million and \$14.5 million through the issue of between 37.5 million and 72.5 million Stapled Securities.	Section 3.13

Topic	Details	For more information																								
How will funds raised under the Public Offer be used?	<p>Funds raised under the Public Offer along with the Company's existing funds, borrowing facilities from the CBA and after repayment and /or equity conversions of existing loans will be used as follows:</p> <table border="1" data-bbox="464 416 1206 1039"> <thead> <tr> <th></th> <th>Minimum (\$)</th> <th>Maximum (\$)</th> </tr> </thead> <tbody> <tr> <td>Land acquisition</td> <td>4,640,000</td> <td>4,640,000</td> </tr> <tr> <td>Livestock, plant and equipment</td> <td>1,210,000</td> <td>1,210,000</td> </tr> <tr> <td>Debt repayment</td> <td>810,000</td> <td>1,810,000</td> </tr> <tr> <td>Further acquisitions</td> <td>0</td> <td>3,000,000</td> </tr> <tr> <td>Working and development capital</td> <td>1,890,000</td> <td>3,440,000</td> </tr> <tr> <td>Costs of the Transaction</td> <td>700,000</td> <td>1,150,000</td> </tr> <tr> <td>Total</td> <td>9,250,000</td> <td>15,250,000</td> </tr> </tbody> </table>		Minimum (\$)	Maximum (\$)	Land acquisition	4,640,000	4,640,000	Livestock, plant and equipment	1,210,000	1,210,000	Debt repayment	810,000	1,810,000	Further acquisitions	0	3,000,000	Working and development capital	1,890,000	3,440,000	Costs of the Transaction	700,000	1,150,000	Total	9,250,000	15,250,000	Section 3.14
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Can you participate in the Public Offer?	Yes, Eligible Shareholders will be offered a priority allocation under the Public Offer of 10,000 Stapled Securities. Shareholders may also wish to apply for additional Stapled Securities.																									
Trustees Australia Transaction																										
What is the Trustees Australia Transaction?	<p>In mid-2013 Trustees Australia (which holds 34% of the Company and in which Mr Michael Hackett and his associates are the majority shareholders) established the Trust. Trustees Australia and entities associated with Mr Hackett provided Interim Funding to the Trust to acquire the Brucknell No 2 Farm and certain plant, equipment and livestock, which have been leased and licensed to SWDF (a wholly owned subsidiary of Trustees Australia) with effect from 1 July 2014.</p> <p>Assuming Shareholders approve the Proposal, at Completion the Company will exercise the SWDF Option and acquire SWDF and repay the Interim Funding, partially in cash and partly through the issue of Convertible Notes (which may convert into Stapled Securities at \$0.20 per Stapled Security).</p> <p>Given Trustees Australia's holding in the Company, exercising the SW Option and repaying the Interim Funding are parts of the Trustees Australia Transaction which requires an independent expert's report and Shareholder approval under the Listing Rules.</p>	Section 9																								

Topic	Details	For more information
What does the Independent Expert say?	<p>The Directors (other than Mr Hackett) have retained Pitcher Partners to opine on whether the Trustees Australia Transaction is fair and reasonable to non-associated Shareholders.</p> <p>Pitcher Partners has opined that the Trustees Australia Transaction is fair and reasonable to non-associated Shareholders.</p> <p>Shareholders are urged to read the Independent Expert's Report in full and seek their own advice if they have any questions.</p>	The Independent Expert's Report
Board recommendation and what should you do		
What does the Board recommend?	The Board recommends you vote in favour of the Proposal. Where permissible under the Listing Rules, the Board will vote the Shares they control in favour of all Resolutions.	Section 3.22
What should you do?	<p>Firstly, read the Meeting Booklet in full and either contact the Company or seek advice if you have any queries.</p> <p>Then, attend the Meeting, either in person or by lodging a proxy.</p>	Section 19 of Annexure 4
Can you sell your Shares prior to the Meeting?	Yes, although if you do so then you will not enjoy the benefits of holding Staped Securities.	
What if you vote against the Proposal?	<p>If Shareholders do not pass Resolutions 1B to 7 the Proposal will not be implemented, and the Company will continue to look for other investment opportunities.</p> <p>If the Resolutions are passed and Completion occurs, you will be issued Units which will be stapled to your New Shares even if you voted against the Proposal.</p>	Section 3.21
Further information		
How can further information be obtained?	<p>You can contact the Company at shareholders@apafs.com.au.</p> <p>You can also seek your own independent advice from your accountant, stockbroker or financial planner.</p>	

3 THE PROPOSAL

3.1 Introduction

As first announced in November 2011, the Company proposes to change its nature and scale of activities by acquiring dairy farms which have the potential for increased milk production and profitability. To do so the Group will “staple” its New Shares with Units in the Australian Dairy Farms Trust (with the Company and Trust together forming the Group), and seek to raise between \$7.5m and \$14.5m under the Public Offer. Application will be made for the Stapled Securities to be quoted on ASX.

The purpose of the Meeting is to seek Shareholder approval for the change and the Public Offer.

3.2 Rationale for becoming a corporate dairy farmer

The Company was incorporated in 1992 and was listed on ASX in June 2006 as a developer and provider of investment administration services to financial advisers via its proprietary platform. The administration business and platform was sold in 2008 following the global financial crisis to OneVue, which further developed and commercialised the platform. In the intervening period, the Board has investigated several potential alternative investments for the Company.

After comprehensive analysis of the Australian dairy industry and studying data relating to the growing global demand for clean and safe dairy products, the Board has concluded that realistic opportunities exist for profitable consolidation of significant segments of the *supply side* (farming and milk production) of the Australian industry in certain key dairy producing locations.

Consideration of this counter-cyclical opportunity takes into account:

- (a) the current “cottage-industry” style, fragmented nature of dairy farm ownership and management despite significant rationalisation in farm numbers during the last two decades;
- (b) the unusual current market cycle of high milk prices and demand combined with cyclical lows in farm prices;
- (c) continuing improvements in industry technology and individual productivity, including the significant advances being made in automation of milking and robotic systems with immediate productivity analysis of individual cows;
- (d) the very positive immediate and long term macro-economic *demand / supply* outlook for the industry globally;
- (e) the capacity for underperforming farms in prime Australian dairy regions to increase milk production and farm productivity to meet the growing global demand for milk products; and
- (f) the standard industry practice of progressive monthly cash payments for milk supplied the previous month and the improving supplier capability of negotiating individual pricing agreements for significant supply.

Through an appropriately capitalised corporate approach, the Company proposes to acquire and operate good quality and efficient dairy farms in the prime dairy regions of Victoria with a goal to become a major producer of fresh, premium quality, farmgate milk for *supply* to one or more of the seven established milk *processors* in Victoria that compete for and reward reliable volume supply and productivity.

An investment in dairy farming also provides investment exposure to both the trading business activities of owning and managing dairy livestock and milk production as well as to the ownership and potential long term capital accretion of owning the real property of dairy farms.

The Board believes that the combination of all of these factors and approach presents an exciting opportunity for the Company to participate in the consolidation and growth of the supply side of the Australian dairy industry, Australia's third largest agricultural export industry, and which generates over \$4 billion revenue per annum.

3.3 Information on the Australian dairy industry

According to Dairy Australia, Australian milk production was approximately 9.35bn litres in 2012/13 - down 1.4% on 2011/12 output of 9.48bn litres. The outlook for 2013/14 is for modest production growth to between 9.4 and 9.6bn litres, based on surveyed herd growth intentions, cow condition and assuming normal seasonal conditions provide an offset to limited fodder reserves. Southern exporting regions should lead growth given positive global prices. Production in domestic supply regions is likely to be flat in response to market signals and uncertainty around supply contracts.

3.4 Criteria for investments

Under the Dairy Farm Aggregation Plan the Group will seek to acquire dairy farms having regard to the following criteria:

- (a) The potential for milk production and operating profits to be improved by farm development through irrigation, land amalgamation, conversion, technology, genetic improvement of herd and pastures, and farm management.
- (b) Land area and layout of pastures and fixed improvements such as centrally located dairy sheds and developed livestock laneways, and ease of accessibility for processor collection of milk.
- (c) The quality of the farm in terms of pastures, soils, water, irrigation, topography, fertilizer history, weeds, pests and disease, infrastructure, effluent treatment capabilities and prevailing climate and weather conditions.
- (d) Type and security of title and/or tenure and existence and quality of water or irrigation rights.
- (e) The track record of farm milk production, purchased feed and ability to generate operating profits on historic production compared with expected capabilities at optimum production levels.
- (f) Geographic proximity to other farms under ownership or management by the Group from a management efficiency perspective.
- (g) The ability to attract and retain a high quality farm operations manager and staff because of the farm's proximity to larger rural and regional communities and social networks such as schooling, health services and shopping.
- (h) The ability to generate sustainable and growing cash returns from cost effective farm improvements.

The Board has reviewed numerous farms available for sale in the South West Victoria region which it has identified as the key one for early stage farm acquisition. There is no official database which records the historical sale prices of

specifically dairy farms as opposed to agricultural land generally. Each dairy farm is different and real estate agents and valuers rely on inspection and reported sales for comparable values.

The Board has seen sufficient evidence to be comfortable that there are numerous farms available for acquisition at attractive prices from a buyer's perspective. However the Board is also aware that such countercyclical opportunities do not usually last for extended periods.

3.5 Acquisition of further farms

The Group aims to provide investors with returns from both dividends and capital appreciation. To these ends, the Board is very particular about the farms the Group will acquire based on detailed assessment criteria, as well as the capacity to lift farm productivity levels. More specifically, the Group will endeavour to arrange purchase of farms on a counter cyclical basis, and to focus on farms that:

- (a) are appropriately priced;
- (b) have clear development options such as combining with an adjoining property or others in close proximity; and most importantly,
- (c) have the fundamental characteristics to be top 10% milk producers.

These requirements mean that farms will be located in the prime Australian dairy regions of Victoria where production is primarily export focused as opposed to other dairy regions such as in Queensland, northern NSW and Western Australia, which are primarily producing fresh drinking milk. Within Victoria and possibly later in Tasmania, the Group will aim for the prime established dairy localities.

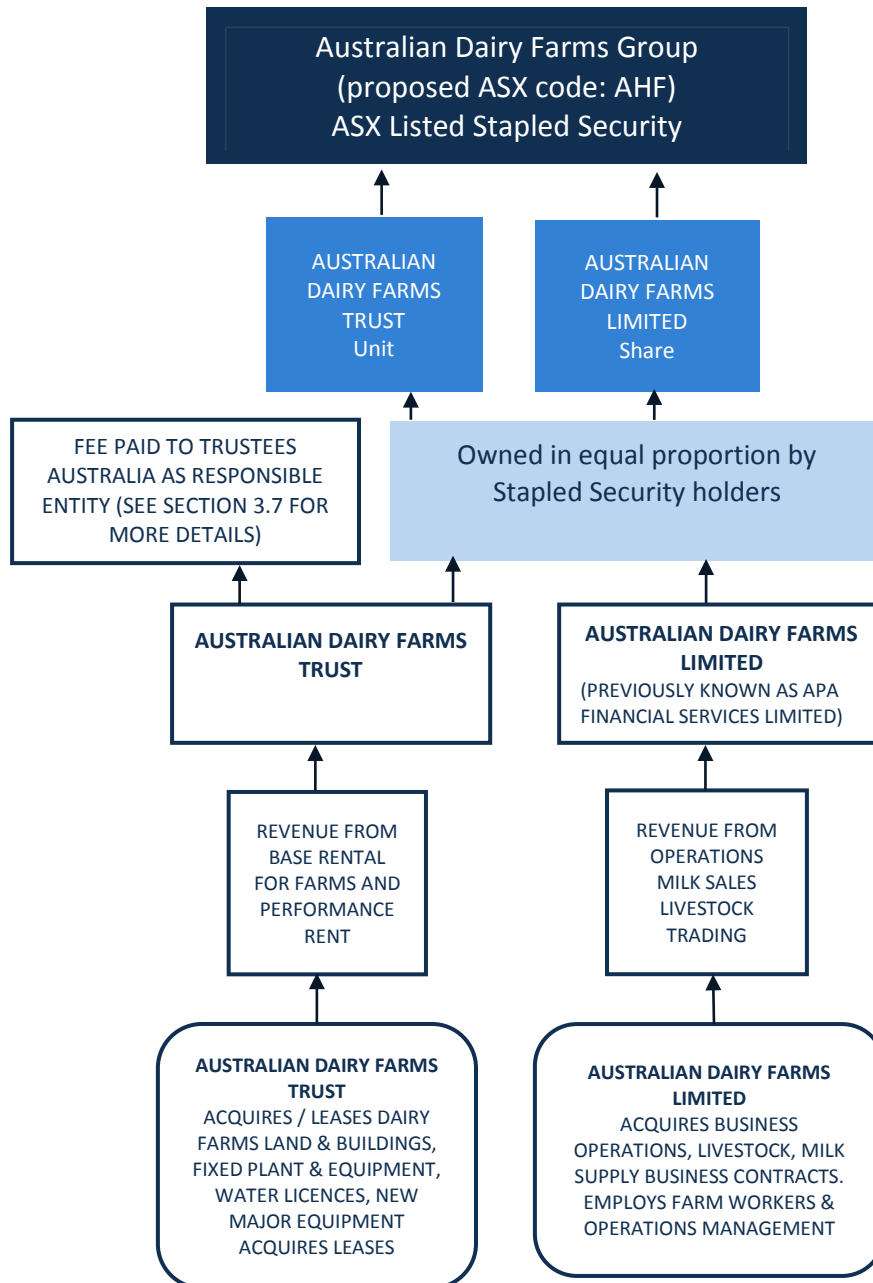
In general terms, the Group's strategy will be to consider only keenly priced farms of at least 250 hectares, in current production with development potential through irrigation or amalgamation, farm and paddock layout and agronomy analysis and particularly, based on candid specialist assessment of the farm's ability to become a top 10% producer. This may include properties in appropriate regions with support properties for fodder production or specialist calf rearing that can either be owned or leased to provide the opportunity to manage all aspects of the farm and control costs and quality thereby securing the best returns.

To finance the further acquisition of additional farms beyond the Brucknell Farms to be acquired at Completion, the Group expects to undertake further capital raisings with a view to building the Group into a substantial owner / operator of multiple farms and a significant consolidator of milk supply to one or more processing groups.

3.6 Stapling the Company's New Shares with Units of the Trust

A stapled security is a security that is comprised of at least two securities (in this case a New Share and a Unit) which can only be traded or transferred together. Stapled securities can be traded on ASX in the same way as listed shares in companies and listed units in management investment schemes.

The Board considers the most effective manner to own and operate dairy farms is - at least in its formative years - through a stapled security structure, with the land owned by a unit trust and the farm (livestock, milk sales and operating expenses) operated through a corporate entity. The proposed structure of the Group following Completion will be as follows:



Following are reasons to staple securities:

- (a) The two asset types can provide different revenue and distribution flows with the operations Company providing traditional company franked or unfranked dividends and the Trust paying “flow-through” distributions directly to unitholders.
- (b) In the early years of the Group’s development and growth, the Stapled Security holders obtain the combined benefits of the integrated investments of the property and operations entities. This enables security holders to participate in all aspects of the Group’s financial growth.
- (c) The Trust may ultimately qualify as a Managed Investment Trust and be in a position to offer international institutions favourable taxation advantages associated with such trusts.
- (d) As the Group grows by acquisition of multiple farms, the need for additional capital for property acquisition in the Trust will be approximately four

times the capital required for the operations company for additional livestock and non-fixed plant etc. This is indicatively based on the acquisition of typical farms for \$5,000,000 comprising \$4,000,000 in property and buildings and \$1,000,000 in livestock and moveable equipment.

- (e) This may present an opportunity in the future for the Group, comprising the stapled entities to split the two activities, for the benefit of its early stage investors, to create a stand-alone property investment vehicle holding only prime dairy farms with sound corporate managers, which could be of significant interest to Australian and international institutional investors as well as Australian based milk processors.

Whilst the Company and the Trust are and will remain separate legal entities, they will effectively operate as a single economic entity, and the Company's New Shares and Trust's Units can only be traded together. The process involved in stapling these securities is set out in section 8 and the terms of the Stapled Securities are set out in section 18.

3.7 Directors and management

Directors

The Company's Board currently comprises Messrs Michael Hackett, Adrian Rowley and Graham Anderson. At Completion Mr Anderson will retire and Mr Keith Jackson will be appointed as a Director.

Profiles on each of the continuing and proposed Directors are set out below.

- (a) Michael Hackett

Mr Hackett is the Managing Director of Trustees Australia Limited (ASX CODE: TAU). He has a Bachelor of Commerce degree from the University of Queensland and is a Fellow of the Institute of Chartered Accountants in Australia. Mr Hackett has considerable experience in managing and operating a wide range of businesses and property interests, including managed funds and has been an executive director and chairman of several listed companies over more than 25 years.

Mr Hackett is currently chairman of Trustees Australia Limited.

- (b) Adrian Rowley

Mr Rowley is a Certified Financial Planner. He has had a career in financial services spanning more than 16 years and is currently a director of FYM Financial Pty Ltd which he established in 2009 to provide portfolio management and financial planning services to high net worth clients.

- (c) Keith Jackson

Mr Jackson is an experienced corporate manager at CEO and Chairman level with specialist skills and success in operations and merger and acquisition activities at several major listed NZ food production and processing companies over many years. He is currently a director of several NZ listed companies.

He is also a director of DFI Brucknell the vendor of the Brucknell No 1 Farm.

Directors of Trustees Australia, the Responsible Entity

The responsible entity for the Trust is Trustees Australia, an ASX listed company that holds an Australian financial services licence and which provides responsible entity, trustee, custodial and other financial services. Mr Hackett is the executive

chairman of Trustees Australia. Details of Trustees Australia's other directors are below.

Trustees Australia holds approximately 34.4% of the Company, and will be paid management fees of 2% per annum (exclusive of GST) of the gross asset value of the Trust's assets and a fee of 15% of the first year's annual gross rent upon entering a new lease, or an extension of an existing lease of the premises that form part of the Trust assets.

(a) Kerry Daly Director (Non-executive, Independent)

Qualifications Bachelor of Business (Accountancy) - Queensland University of Technology Certified Practising Accountant

Kerry was appointed as a director on 17 March 2009. He is an experienced senior executive and public company director with some 30 years' experience in the financial services sector, including retail banking, equities and bond markets dealing, funds management, investment banking and corporate advisory with around twenty years' at CEO, managing director and executive director level.

(b) Nathan Leman Director (Non-executive)

Qualifications Commercial Builder and Project Manager

Nathan Leman was appointed as a director on 24 November 2010. Nathan is an experienced project manager with approximately 20 years hands-on involvement in managing development, construction and technology acquisition and implementation of projects. Since 1999, he has been responsible for the design and implementation of property and IT projects for the Trustees Australia Limited group, including in relation to financial services technology platforms. As a director of Trustees Australia Limited, Nathan has been appointed to the boards of most of its subsidiary entities.

Trustees Australia will retire as responsible entity for the Trust once the Convertible Notes are converted or repaid, at which time a wholly owned subsidiary of the Company, Dairy Fund Management Limited (formerly known as APA Equities Limited) (ACN 140 957 286), will be appointed as responsible entity for the Trust.

Management

The Board will take an active and direct role in management during the initial stage of implementation of the Group's strategy whilst the Proposal is implemented, and the initial identification and assessment of additional farm acquisitions. The Board will liaise directly with existing on-farm managers and specialist consultants in agronomy, nutrition and animal welfare.

As part of the process of acquiring additional properties, the Board intends to appoint operations managers for each group of 5-7 separate farms and progressively build a strong management team as scale of farm numbers increases, while maintaining cost efficiency.

3.8 Implementation of the Proposal

The Dairy Farm Aggregation Plan will be implemented through the following steps:

- (a) The Company will change its name to "Australian Dairy Farms Limited".
- (b) The Group will raise between \$7.5 million and \$14.5 million through a public offer of Stapled Securities (**Public Offer**) and borrow between \$750,000 and \$1,750,000 additional funds (depending upon the amount

raised under the Public Offer) from the Commonwealth Bank of Australia. Funds raised will be used to finance the acquisition of the Brucknell Farms (see section 3.9 below), for working capital and farm improvements, partial reduction in the Interim Facility, and also to provide capital for contracting with vendors of additional farms including financing deposits.

- (c) The Group will staple the New Shares and Units on issue, as outlined in section 8, and application will be made for the Stapled Securities to be quoted on the Official List of ASX.
- (d) The Group will acquire the Brucknell No 1 Farm and Brucknell No 2 Farm, with dairy livestock and moveable plant and equipment being acquired by the Company and the freehold interests, buildings and fixed plant being acquired by the Trust.
- (e) The Company's business activity will be "dairy farming", primarily to produce fresh milk for sale to established milk processors, and the Company will operate and manage all trading activities, including engaging all personnel and undertaking milk production and sales.
- (f) The Trust will be a direct property investment trust which owns and leases dairy farms to the Company and derives rental income from leasing and sub-leasing dairy farms and other property.
- (g) The Group will actively seek to acquire additional dairy farms, on a freehold, leasehold or management tenure basis (including support facilities for calf-rearing and fodder production) which satisfy the Group's investment criteria and which the Board believes should result in the Group achieving high volume annual production of milk to attract significant revenue premiums and volume bonuses over smaller or individual producers.

(together the Dairy Farm Aggregation Plan).

3.9 The Brucknell Farms

To date the Company has identified two farms, known as Brucknell No 1 and Brucknell No 2, which fall within the Group's investment criteria. The Brucknell Farms are located at Moreys Road Brucknell in the South Western Victoria region near the rapidly growing regional city of Warrnambool. This is one of the most highly regarded areas in the "Golden Triangle" of Victoria's prime dairy producing country.

Details of the acquisition of the Brucknell Farms are set out in sections 3.10 and 3.11.

The Brucknell Farms offer a good example of the type of opportunities presented for sensible property amalgamation which yield efficiencies and increase the combined values of farm properties.

Each of the Brucknell Farms have sections of land on both the Northern and Southern sides of Moreys Road and include two well-appointed dairy sheds, one on each side of the dividing road. A constructed road underpass for livestock and farm vehicles connects the properties. By amalgamating the two farms, sections of both farms that were remote from or not practically accessible to the dairy milking shed have been able to be connected, so that all parts of the two farms can be utilised as prime dairy platforms in proximity to a milking shed.

Since 1 July 2013 the Brucknell Farms have operated as a single unit although with less than the full complement of milking cows because necessary development work was required in reconstructing livestock laneways for cattle movement and paddock layouts to optimize the capacity of the two properties as a single farm

with two milking units. This construction work was only capable of completion in dry weather conditions and was completed in Autumn 2014, funded by the Interim Funding.

The positive financial impacts of these changes will be seen in the 2014/15 financial year. However, even on the lower than capacity milking herd that has been accommodated on the Brucknell Farms, the production performance has been impressive on statistical comparison with regional benchmarks published by RedSky Agricultural.

With effect from 1 July 2014 the Brucknell Farms have been operated via SWDF, a special purpose vehicle incorporated for the purposes of operating dairy businesses from the farms (via dairy supply contracts, Licences and Leases) and currently, wholly owned by Trustees Australia. SWDF has a licence from the farm owners to use and manage the Livestock and plant and equipment until Completion, when those assets will be acquired by the Company. SWDF is funded by the Interim Facility, with the Company having as part of the Trustees Australia Transaction, an option to acquire SWDF (**SWDF Option**). See section 3.11 for details of SWDF and the SWDF Option.

The Brucknell Farms hold approximately 1,350 dairy livestock including milking cows and approximately 300 younger pre-lactating heifer stock under two years of age. The number of "cows in milk" varies from month to month depending on lactating cycles and age, however over a full year the average target number of milking cows per month is 935.

Milking cows produce an average of between 18 and 27 litres of milk each day depending on seasons and feeding regimes. The Brucknell Farms supply Fonterra and for the financial year ended 2014, the final price for the farms including volume, seasonal and quality bonuses is estimated to be in excess of \$6.50 per kilogram of milk solids which approximately equates to 47 cents per litre. The final price with bonuses has not been confirmed by the processors at the date of this notice.

Further information on the Brucknell Farms is set out below and in section 8 of the Independent Expert's Report.

3.10 Brucknell No 1 Farm

The Brucknell No 1 Farm is owned by Dairy Farm Investments (Brucknell) Limited (**DFI Brucknell**), a New Zealand registered company associated with Mr Keith Jackson, a proposed director of the Company. Mr Jackson is a director and shareholder of DFI Brucknell, holding a beneficial interest of approximately 5.3%.

Trustees Australia as trustee for the Trust has entered into a contract to purchase Brucknell No 1 Farm for \$4.395 million, and the Company has agreed to purchase the livestock at market value and moveable plant and equipment and chattels for \$150,000. Summaries of the acquisition agreements are set out in section 3.19.

With effect from 1 July 2014, SWDF has entered into dairy supply contracts, licences and leases to operate the Brucknell No 1 Farm.

Given Mr Jackson's proposed appointment as a Director and interest as vendor, Chapter 2E and Part 5C.7 of the Corporations Act apply to the Group's purchase of the Brucknell No 1 Farm. The Board considers that the terms of the acquisition are reasonable in the circumstances as if the Group and Mr Jackson were dealing at arm's length so that Shareholder and Unit holder approval is not required.

3.11 Brucknell No 2 Farm, Interim Funding and the Trustees Australia Transaction

To facilitate the purchase of the Brucknell Farms, on 27 February 2013 the Australian Dairy Farms Trust was established with Trustees Australia Limited as its trustee. Trustees Australia is an ASX listed company holding ASIC financial services licences which allow it to provide responsible entity, trustee, custodial and other financial services. Trustees Australia, in its own capacity, holds approximately 34% of the Company.

The Trust entered into a contract to acquire the Brucknell No 2 Farm including fixed plant and equipment for \$4,100,000 from an unrelated third party vendor. The contract completed on 14 June 2013. The Trust has subsequently purchased additional farm equipment and undertaken certain development work and capital improvements to the Brucknell No 2 Farm and its plant and equipment.

On behalf of the Trust, Trustees Australia negotiated limited recourse commercial finance of \$2.25 million from the Commonwealth Bank of Australia (**CBA Loan**) to assist with the purchase of Brucknell No 2 Farm. The CBA Loan is secured by a first mortgage over the Brucknell No 2 Farm and a first ranking charge over all present and after acquired property of Trustees Australia as trustee for the Trust.

Trustees Australia also established the Dairy Livestock Trust which has progressively acquired approximately 408 dairy cows (**Livestock**) for \$493,000.

All farm expenditure, development work and improvements by the Trust and expenditure on operational activities and livestock purchases by the Dairy Livestock Trust were negotiated and completed on an arms-length basis from parties unrelated to Trustees Australia and its associates.

Funding for the various acquisitions including the purchase of Brucknell No 2 Farm, other than the CBA Loan, was provided by loans (**Interim Funding**) from a special purpose trust (**Interim Facility Trust**), of which Trustees Australia is also the trustee. The Interim Facility Trust was, in turn, funded by loans from Trustees Australia and its associates including private entities associated with Michael Hackett, a director of both Trustees Australia and the Company. Funding contributed by the Interim Facility Trust to the acquisitions of the Brucknell No 2 Farm, associated Livestock, development work and other expenses, at cost, amounted to approximately \$3,160,000 as at 31 March 2014.

Upon acquiring Brucknell No 2 Farm in June 2013, the Trust appointed DFI Brucknell to operate the farm under a shared farming agreement. The agreement terminated on 30 June 2014. SWDF has entered into dairy supply contracts, Licences and leases to operate Brucknell No 2 Farm with effect from 1 July 2014.

Since commencing negotiations for the Company's possible change of activities and the establishment of the Australian Dairy Farms Trust in early 2013, Trustees Australia's directors and staff have provided an extensive range of financial, advisory, administrative and corporate services to progress the Dairy Farm Aggregation Plan on a cost recovery and "at risk" basis. Trustees Australia does not propose to recover the costs of this work estimated to be approximately \$350,000, in the interests of assisting a successful capital raising for the Group.

It is intended that, depending on the amount of new capital raised under the Offer, and subject to Trustees Australia's agreement, the Interim Funding (inclusive of interest) will be repaid by the Group from a combination of cash from funds raised under the Public Offer and conversion of all or part of the total amount to equity. The split between cash and equity will be determined in conjunction with advisers, at Completion.

The balance of the Interim Funding that is not repaid at Completion from funds raised under the Public Offer or issue of Stapled Securities will be repaid through

the issue of convertible notes to Trustees Australia (**Convertible Notes**). Under the terms of the Convertible Notes, Trustees Australia may elect to convert the amount owing under the note to Stapled Securities at a conversion price of \$0.20 per Stapled Security (being the issue price under the Public Offer), with any balance owing under the note repayable within two years from Completion. See section 17 for a summary of the material terms of the Interim Funding and Convertible Notes respectively.

If only the Minimum Subscription is raised under the Public Offer, the Group will repay a minimum of approximately \$810,000 of the Interim Funding in cash, with up to \$2.35 million forming part of the Convertible Notes. If the Maximum Subscription is raised under the Public Offer, the Group will repay a minimum of approximately \$1.81 million of the Interim Funding in cash, with up to \$1.35 million forming part of the Convertible Notes. The Convertible Notes may be converted to Stapled Securities at \$0.20 per Stapled Security in accordance with the terms of the Convertible Notes.

At Completion:

- (a) the Company will exercise the SWDF Option and acquire SWDF. In doing so the Company will in effect:
 - (i) enter into a lease of the Brucknell No 2 Farm from the Trust, as lessor, on commercial terms; and
 - (ii) purchase the farm equipment and Livestock (including any net natural increase);
- (b) the Trust will contemporaneously:
 - (i) redeem all units held by Trustees Australia for nominal consideration of \$100; and
 - (ii) issue Units to Eligible Shareholders so that there are equal numbers of New Shares and Units on issue (**Stapling Issue**);
- (c) the Trust and SWDF (then a wholly owned subsidiary of the Company) will repay a minimum of \$810,000 in cash as partial repayment of the Interim Funding; and
- (d) the Group will:
 - (i) issue Stapled Securities under the Public Offer; and
 - (ii) issue Stapled Securities and the Convertible Notes to Trustees Australia, with the respective amounts dependent upon the amount raised under the Public Offer.

Given Trustee Australia's interest in the Company, under the Listing Rules the Trustees Australia Transaction requires Shareholder approval, which is sought under Resolution 5.

3.12 Financial information on the Trust

Since acquiring Brucknell No 2 Farm on 14 June 2013, the Trust has appointed DFI Brucknell to operate the farm under a shared farming agreement.

The financial position and performance of the Trust are set out in sections 4.2 and 4.3 of the Independent Expert's Report.

Trustees Australia has agreed to indemnify the Trust for any failure to recover any receivable owed by DFI Brucknell to the Trust.

The Directors do not consider the performance of the Trust since its inception to be reflective of the potential for the Brucknell Farms or the financial viability of the Dairy Farm Aggregation Plan more generally. This is due to limited funding which has restricted the Trust's ability to acquire livestock and undertake improvements on the farms so that they can achieve their maximum yield.

The Directors note that the Livestock on the Brucknell Farms are currently producing on average more than 8,000 litres per milking cow per annum, which is well above Australian average of around 5,525 litres as published by Dairy Australia and regional benchmark averages of around 6,300 to 6,600.

3.13 Public Offer and Borrowing

Under the Public Offer the Group will seek to raise between \$7,500,000 and \$14,500,000 through the issue of up to 72,500,000 Stapled Securities at an issue price of \$0.20 per Stapled Security under a prospectus and product disclosure statement (**Public Offer Document**). The Public Offer is conditional upon, amongst other things, Shareholders approving the Proposal, the Company re-complying with Chapters 1 and 2 of the Listing Rules, and the Australian Dairy Farms Trust being admitted to the Official List.

The Group also intends to borrow from CBA additional funding of between \$750,000 (assuming the Maximum Subscription is raised) and \$1,750,000 (assuming the Minimum Subscription is raised), to be secured by a first ranked mortgage over the Trust's real property assets (**Borrowings**).

3.14 Application of funds

Funds raised by the Group under the Public Offer together with the Company's existing funds, borrowing facilities from the CBA and after repayment and /or equity conversions of existing loans will be used broadly as follows:

Source of funds	Minimum Subscription (\$)	Maximum Subscription (\$)
Funds raised from the Public Offer	7,500,000	14,500,000
Funds raised from Borrowings ¹	1,750,000	750,000
Total amount raised	9,250,000	15,250,000

¹ See section 3.13 for details.

Application of funds	Minimum Subscription (\$)	Maximum Subscription (\$)
Acquisition of Brucknell No 1 Farm (including duty and other transaction costs)	4,640,000	4,640,000
Acquire Plant and Equipment and Livestock	1,210,000	1,210,000
Repay Interim Funding (including	810,000	1,810,000

Application of funds	Minimum Subscription (\$)	Maximum Subscription (\$)
interest) ¹		
Further farm acquisition deposits and due diligence	0	3,000,000
Working and development capital	1,890,000	3,440,000
Costs of implementing the Proposal	700,000	1,150,000
Total	9,250,000	15,250,000

Notes

¹ In addition to repaying part of the Interim Funding through cash, the Group will also issue the Convertible Notes for the balance of the Interim Funding. See section 3.11 for details.

This table is a statement of current intentions as at the date of this Explanatory Memorandum. As with any budget, intervening events and new circumstances have the potential to affect the way funds will be applied. The Board reserves the right to vary the way funds are applied on this basis

If, in the event, the amount raised under the Public Offer is less than the Maximum Subscription, but more than the Minimum Subscription, after accounting for the reduced costs of the Public Offer by reason of the reduced fund raising fees, it is intended that the additional amount raised will be applied equally towards farm acquisitions, repaying the Interim Funding and working capital.

3.15 OneVue Holdings Limited

The Company intends to divest its only existing asset, a minority interest in OneVue, with the proceeds to be used towards implementing the Dairy Farm Aggregation Plan. OneVue listed on the ASX on 24 July-2014. See section 5 for more detail.

3.16 Pro forma balance sheet

An unaudited pro forma balance sheet of the Company following Completion, showing the effect of Completion and the Public Offer, is set out in section 5.2 of the Independent Expert's Report accompanying this Meeting Booklet.

3.17 Capital structure

The Company's capital structure, both before and after Completion is as follows:

New Shares ¹ (post consolidation)	Minimum Subscription		Maximum Subscription	
	Number	%	Number	%
Current Shareholders other than Trustees Australia ²	8,023,282	12.89	8,023,282	8.70
Public Offer	37,500,000	60.27	72,500,000	78.61

New Shares ¹ (post consolidation)	Minimum Subscription		Maximum Subscription	
	Number	%	Number	%
Trustees Australia ³	16,299,065	26.19	11,299,065	12.25
Directors in lieu of fees ⁴	400,000	0.65	400,000	0.44
Total	62,222,347	100.00	92,222,347	100.00

- 1 After the Consolidation the New Shares will be Stapled to Units.
- 2 This excludes 4,174,065 New Shares (on a post-consolidation basis) or approximately 34.22% of the Company held by Trustees Australia as at the date of this Explanatory Memorandum.
- 3 This includes the 4,174,065 New Shares converted to Stapled Securities (on a post-consolidation basis) currently held by Trustees Australia, together with Stapled Securities issued in partial satisfaction of the Interim Funding and issued to Michael Hackett (375,000) in respect of Director's fees. The actual number of Stapled Securities to be issued to Trustees Australia will depend upon the amount raised under the Public Offer and will range from between 6,750,000 (assuming Maximum Subscription) and 11,750,000 (assuming the Minimum Subscription is raised). In addition and in the event less than the full balance of the Interim Funding is converted to Stapled Securities at Completion, Trustees Australia will be issued the Convertible Notes. See section 3.11 for details.
- 4 This excludes the 375,000 Stapled Securities issued to Michael Hackett in lieu of Director's fees which are included in note 3 above. See section 12 for details.

3.18 Dividend and distribution policy

Any future determination as to the payment of dividends and distributions by the Group will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Group, future capital requirements, general business and other factors considered relevant by the Directors. No assurances are given in relation to the payment of dividends, or that any dividends may attach franking credits.

3.19 Material agreements

Summaries of the contracts material to the Proposal are set out in section 17.

3.20 Terms of the Stapled Securities

The terms of the Stapled Securities are set out in section 18.

3.21 Plans for the Company if the Resolutions are not passed or the Proposal does not complete

The Company has limited funds. In the event Resolution 1A is not approved, the Company will liaise with ASX to determine the number of OneVue shares that it can sell. It is also likely that the Company will raise funds to remain solvent, potentially at a discount to its current market price.

In the event Resolutions 1B to 7 are passed but Completion does not occur the Company will be suspended from trading on ASX until it is able to satisfy the requirements of Chapter 1 and 2 of the Listing Rules together with any other conditions that ASX may impose prior to re-instating the Company to trading.

If the Proposal does not complete within a reasonable period (subject to the Corporations Act and Listing Rules), the Company will look at other ways to re-comply with Chapters 1 and 2 of the Listing Rules, with its Shares remaining suspended from trading in the meantime.

3.22 Directors' recommendation

For the reasons set out above the Directors recommend that Shareholders approve the Proposal and vote in favour of the Resolutions.

Each Director intends to vote all Shares in which they have a relevant interest, in favour of all Resolutions unless excluded.

4 ADVANTAGES AND DISADVANTAGES

The Directors consider that the following advantages and disadvantages to the Company of the Proposal may be relevant to Shareholders in deciding whether to approve the Resolutions:

4.1 Advantages

- (a) The Proposal allows the Company and its Shareholders an opportunity to participate in an industry which has prospects for significant growth in global demand for dairy and protein based products, particularly from across Asia.
- (b) The Proposal provides the Company with a new business activity that may lead to an increase in the Company's security price and the payment of dividends.
- (c) Under the Proposal the Company will issue additional securities, which may result in increased liquidity for the Company's securities.
- (d) The Proposal provides a platform with potential for increasing Shareholder wealth.

4.2 Disadvantages

The Directors consider that the following disadvantages to the Company of the Proposal may be relevant to Shareholders in deciding whether to approve the Resolutions:

- (a) The change of activities involves risks as set out in section 16.
- (b) Shareholders will have their interest in the Company diluted.

5 RESOLUTION 1A - - SALE OF MAIN UNDERTAKING

ASX Listing Rule 11.2 provides that an entity must obtain shareholder approval to dispose of its main undertaking.

The Company's interest in OneVue is currently its main undertaking, and any disposal will require Shareholder approval under Listing Rule 11.2.

On 24 July 2014 OneVue was admitted to the Official List of the ASX after lodging a prospectus with ASIC for a public offer of shares at an issue price of \$0.35 per share. The closing price of OneVue's shares on 29 June 2013 was \$0.31.

To date the Company is yet to agree any terms for the sale of its interest and there is no certainty that it will. However, and to provide the Board flexibility to dispose of the interest, Shareholder approval is sought at the Meeting. In negotiating any disposal terms the Board will seek to obtain the best price possible in the then prevailing circumstances.

The approval under Listing Rule 11.2 will take effect from the completion of the Meeting and will not be conditional upon Completion.

6 RESOLUTION 1B - CHANGE OF NATURE AND SCALE OF ACTIVITIES

6.1 Introduction

Resolution 1B seeks approval from Shareholders for a change to the nature and scale of the Company's activities so that the Company can implement the Dairy Farm Aggregation Plan, details of which are set out in section 3 of this Explanatory Memorandum.

6.2 Listing Rule 11.1 requirements

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable.

ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of Shareholders and must comply with any requirements of ASX in relation to the Notice of Meeting.

ASX has advised the Company that the Dairy Farm Aggregation Plan amounts to a change of nature and scale of activities that requires Shareholder approval and re-compliance with the admission requirements of the Listing Rules.

In the event Shareholders approve the Resolutions, Shares will be suspended from quotation until the admission requirements of the Listing Rules are complied with.

7 RESOLUTION 2 - CHANGE OF COMPANY NAME

Subject to approval of Resolution 1B, the Company's future will be the ownership and operation of dairy farms in Australia. As a result the Board proposes that the Company change its name to '**Australian Dairy Farms Limited**', a name that more clearly reflects the future focus of the Company.

Resolution 2 seeks Shareholder approval for the change, with effect from Completion.

8 RESOLUTIONS 3 AND 4 - ADOPTION OF NEW CONSTITUTION, CONSOLIDATION AND STAPLING

8.1 Introduction

Stapling the Company's existing Shares with Units of the Trust will be effected through the following steps:

- (a) The Company will:
 - (i) temporarily amend its Constitution to facilitate Stapling by adopting the amendments set out in Annexure 2;
 - (ii) consolidate its issued capital so that five existing Shares are converted into one New Share;
 - (iii) compulsorily sell Ineligible Shareholder's Shares on the terms set out in section 8.9; and
 - (iv) with effect from Completion, replace its Existing Constitution with the Proposed Constitution.
- (b) The Company and the Trust will enter into the Stapling Deed which, from Completion, requires there to be an equal number of New Shares and Units on issue, and for New Shares and Units to be traded together. The material terms of the Stapling Deed are summarised in section 17.
- (c) The Trust will contemporaneously:
 - (i) redeem the existing Units on issue (held by Trustees Australia) for nominal consideration of \$100; and
 - (ii) in accordance with the Deed Poll, issue Units to Eligible Shareholders in the same proportion as New Shares held so that Eligible Shareholders will hold an equal number of New Shares and Units.
- (d) Application will be made for the Stapled Securities to be quoted on ASX.

In addition to the above, at Completion, the Group will also issue Stapled Securities under the Offer.

ASX has given in principle advice that it will grant standard waivers of Listing Rules 1.1 condition 7; 1.1 condition 8; 2.1 condition 2; 8.10 and 10.1 to effect the Stapling.

The purpose of the Consolidation is to implement a more appropriate capital structure for the Company to undertake the Proposal, and to enable the Company to satisfy Chapters 1 and 2 of the Listing Rules and obtain re-quotations of the New Shares (as Stapled Securities) should Shareholders approve Resolutions 1B to 7.

If the Consolidation and Stapling are effected, the number of Shares on issue will be reduced from 60,986,733 to approximately 12,197,347 New Shares (subject to rounding) and Eligible Shareholders will be issued an equal number of Units, with effect from Completion and at the same time as the issue of Stapled Securities under the Public Offer.

To effect the Stapling Trustees Australia, as responsible entity for the Trust, has signed a deed poll (**Deed Poll**) in which it has undertaken to issue Units as set out above. The Deed Poll is set out in Annexure 1.

8.2 Corporations Act

Section 136(2) of the Corporations Act provides that a company may modify its constitution by special resolution.

Section 254H of the Corporations Act provides that a company may, by a resolution passed in a general meeting of shareholders, convert all or any of its shares into a larger or smaller number of shares.

In accordance with section 1012B of the Corporations Act and ASIC Regulatory Guide 188 (Disclosure in Reconstructions), the issue of Units under the Stapling requires disclosure under the Corporations Act.

Accompanying this Meeting Booklet is the PDS, which has, amongst other things, been prepared by Trustees Australia (a responsible entity for the Trust) for the purposes of giving disclosure on the Stapling. The PDS will allow:

- (a) the Company to invite Shareholders to vote on the Stapling; and
- (b) subject to the Trust's constitution, Eligible Shareholders to offer Units (as part of Stapled Securities) for on-sale within 12 months of receiving them under the Stapling.

In dispatching this Notice of Meeting, the Company relies upon ASIC CO 07/10 for certain technical relief.

8.3 Amendments to the Existing Constitution

To implement the Proposal and Stapling, the Company proposes to temporarily amend the Existing Constitution, as set out in Annexure 2. The amendments will take effect from the close of the Meeting until Completion, at which time the Existing Constitution (as amended) will be replaced by the Proposed Constitution (see section 8.4).

ASX has approved the amendments as appropriate and equitable for the purposes of Listing Rule 6.12.

8.4 Proposed Constitution

As the changes introduced and the requirements of the Stapling Agreement affect numerous provisions in the Existing Constitution, it is proposed that the Proposed Constitution be adopted, rather than amending the Existing Constitution. The constitution of the Trust contains corresponding provisions to facilitate Stapling. Replacing the Constitution will also allow amendments to be made to reflect changes in the Corporations Act, Listing Rules and other applicable laws and rules and best market practice.

A copy of the Existing Constitution and the Proposed Constitution are available for inspection at the Company's office or website (www.apafs.com.au), and will also be sent by mail or email to any Shareholder who requests them from the Company Secretary).

The Proposed Constitution will take effect from Completion. The Existing Constitution will continue to apply to the Company if the Proposal does not complete. The changes to the constitution can be summarised as follows:

- (a) Amendments to facilitate the stapling of New Shares with Units, including that any New Shares and Units are dealt with together, including by way of issue, transfer and cancellation.
- (b) In line with current market practice, provisions have been included in the Proposed Constitution to allow notice of a cancellation or postponement of a general meeting to be given in any manner determined by the directors.

The Existing Constitution does not specify how directors are to postpone or cancel a general meeting.

- (c) The Proposed Constitution allows the directors to receive other non-cash benefits as part of their normal remuneration. If the Proposed Constitution is adopted, the Company would still need to comply with the relevant requirements of the Listing Rules and the Corporations Act (where applicable), including the requirement for shareholder approval to issue securities to a director under Listing Rules 10.11 and 10.14.
- (d) The Existing Constitution provides that the maximum number of Directors is 20, the Proposed Constitution reduces the maximum number of Directors to 10.
- (e) The clauses of the Existing Constitution which would apply to the Company if it were an unlisted company are not included in the Proposed Constitution.
- (f) In line with current market practice and as permitted under the Listing Rules, the Proposed Constitution includes provisions which will enable the Company to require the sale of unmarketable parcels of shares. Similar provisions are included in the Existing Constitution, however, the process under the Proposed Constitution is more flexible for the Company. This requirement may be applied to a shareholder holding less than a marketable parcel of shares (currently to the value of \$500 or less) which may be sold for the benefit of that shareholder.
- (g) Other changes of a more administrative nature are proposed to be made under the Proposed Constitution, having regard to changes in the Corporations Act and the ASX Listing Rules and current market practice including updating relevant definitions to reflect various changes made to the Corporations Act and Listing Rules since the adoption of the Existing Constitution.

8.5 Timing of the Consolidation and holding statements

The Company will announce a timetable for the Consolidation in accordance with the Listing Rules following the raising of the Minimum Subscription by the Group.

After the Consolidation becomes effective, all holding statements for Shares will cease to have any effect, except as evidence of entitlement to a certain number of post-consolidation New Shares, the Company will arrange for new holding statements for Stapled Securities to be sent to Eligible Shareholders.

8.6 Capital structure

The Company's capital structure (following Completion) is set out in section 3.17.

8.7 Fractional entitlements

Fractional entitlements, which will occur where a Shareholder holds an odd number of New Shares which cannot be evenly divided by 5, will be rounded up to the nearest whole New Share.

8.8 Taxation

General information on the tax consequences of the Stapling Issue are set out in the PDS.

Whilst the Company does not believe that there are any tax consequences as a result of the Consolidation and the Stapling Issue, Shareholders are advised to seek

their own advice. The Company does not accept any responsibility for the consequences to individuals as a result of the Consolidation.

8.9 Treatment of New Zealand Shareholders

Shareholders with an address in New Zealand will be eligible to participate in the Proposal and have their New Shares stapled with Units.

Certain information required to offer and issue Units in New Zealand is set out in the PDS.

A copy of the Meeting Booklet will be lodged with the New Zealand Companies Office under the mutual recognition regime.

While the Stapling Issue is being extended to New Zealand investors under the mutual recognition regime, no application for listing and quotation is being made to NZX Limited.

8.10 Treatment of Shareholders outside Australia or New Zealand

The Stapling Issue will not be made where, acting reasonably, the Company determines that it would be unlawful or unduly onerous or impracticable to do so. Rather and prior to Completion the Company proposes to sell Shares held by such Shareholders on the Record Date (**Ineligible Shareholders**) at a price per Share equal to the volume weighted average closing price per Share (on a pre-Consolidated basis) over the 30 traded days prior to the Meeting and to account to those Shareholders for the sale proceeds.

To effect the sale, the Company proposes to amend its Constitution, with effect from completion of the Meeting, as set out in Annexure 2.

It is anticipated that Ineligible Shareholders will be paid shortly after relisting.

9 RESOLUTION 5 - TRUSTEES AUSTRALIA TRANSACTION

9.1 Introduction

Trustees Australia, the trustee of the Australian Dairy Farms Trust is a related party of the Company for the purposes of the Listing Rules and Corporations Act. Mr Hackett, a director of both Trustees Australia and the Company is, together with his associated entities, a majority shareholder of Trustees Australia.

To implement the Proposal and for the reasons set out in section 3.11, the Group will undertake the Trustees Australia Transaction.

9.2 Listing Rules 10.1 and 10.11

Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to, a related party or a substantial holder except under certain circumstances, including with shareholder approval.

An asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules.

Shareholder approval sought for the purpose of Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert opining on whether the proposed acquisition is fair and reasonable to unrelated Shareholders.

According to the Company's latest accounts (for the half year ending 31 December 2013), the value of the Trustees Australia Transaction is more than 5% of the Company's equity interests.

Listing Rule 10.11 prohibits an entity from issuing securities to directors and other related parties without prior shareholder approval. Depending upon the amount raised under the Public Offer, under the Trustees Australia Transaction, the Group may issue up to 11,750,000 Stapled Securities to Trustees Australia and repay (via the issue of the Convertible Notes and cash) up to \$1.81 million in cash and the Convertible Notes in repayment of the Interim Funding.

9.3 Information required by Listing Rule 10.1 and Independent Expert's Report

The Directors (other than Mr Hackett) have retained Mr Ross Walker of Pitcher Partners Corporate Finance Limited to provide an independent expert's report on the Trustees Australia Transaction. Mr Walker has opined that the Trustees Australia Transaction is both fair and reasonable to non-associated Shareholders who may vote on Resolution 5.

Shareholders are urged to carefully read the Independent Expert's Report, a copy of which accompanies this Meeting Booklet, and if appropriate to seek their own professional advice.

9.4 Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided about the proposed issue of Stapled Securities and the Convertible Notes to Trustees Australia under Resolution 5 in repayment of the Interim Funding:

- (a) The Stapled Securities and Convertible Notes will be issued to Trustees Australia as trustee for the Interim Facility Trust, or its nominees. Mr Hackett, is a Director and his associated entities hold a majority interest in Trustees Australia.
- (b) Number of Stapled Securities issued:

The number of Stapled Securities to be issued depends upon the amount raised under the Public Offer and will be determined in conjunction with the brokers assisting with the issue.

 - (i) The maximum number of Stapled Securities to be issued at Completion if no part of the Interim Funding is repaid in cash or by issue of Convertible Notes is 11,750,000.
 - (ii) Convertible Notes will be issued with a total face value equal to the balance of the Interim Funding Facility owing at Completion, which may be converted into Stapled Securities in accordance with the terms set out in section 18.
- (c) The issue of Stapled Securities and Convertible Notes will occur at Completion, which will occur within 1 month of the Meeting (or such later date to the extent permitted by any ASX waiver or modification) and it is intended that issue will occur on the same date.
- (d) The issue price of the Stapled Securities and conversion price under the Convertible Notes is \$0.20, being the same issue price as under the Public Offer. The Stapled Securities to be issued will consist of New Shares, each stapled to one Unit. The terms of the New Shares and Units are set out in section 18.

(e) A voting exclusion statement is included in the Notice.

(f) The Stapled Securities will be issued in satisfaction of the Interim Funding.

The Stapled Securities to be issued on conversion of the Convertible Notes will be issued under Listing Rule 7.2 (Exception 4).

The effect of issuing Stapled Securities under the Convertible Notes will be as follows (assuming no securities other than under the Public Offer are issued):

Holder	Prior to conversion		Following conversion		
		Minimum Subscription	Maximum Subscription	Minimum Subscription	Maximum Subscription
Trustees Australia ¹	No.	4,549,065	4,549,065	16,299,065	11,299,065
	%	9.01	5.32	26.19 ²	12.25
Others	No.	45,923,282	80,923,282	45,923,282	80,923,282
	%	90.99	94.68	73.81	87.75
Total Stapled Securities on issue		50,472,347	85,472,347	62,222,347	92,222,347

¹ This assumes that Trustees Australia will not be issued any Stapled Securities at Completion, but rather will convert the unpaid balance of the Interim Funding to the Convertible Notes.

² Trustees Australia will only be able to increase its interest above 20% using an exception (contained in section 611 of the Corporations Act) to the 20% prohibition.

9.5 Chapter 2E of the Corporations Act

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the company unless either:

- (a) the giving of the financial benefit falls within one of the exceptions to the provision; or
- (b) prior shareholder approval is obtained to the giving of the financial benefit.

Related party is widely defined under the Corporations Act, and includes directors of a company.

Financial benefit is defined broadly and includes benefits from the public company's subsidiaries. It is necessary to look at the economic and commercial substance and the effect of the transaction in determining the financial benefit. The Corporations Act requires that any consideration that is given is disregarded, even if the consideration is adequate.

Trustees Australia is a related party of the Company, and the Trustees Australia Transaction constitutes the provision of financial benefits for the purposes of Chapter 2E of the Corporations Act.

The Directors (other than Mr Hackett) consider the terms of the Trustees Australia Transaction are reasonable in the circumstances as if the Company and Trustees

Australia were dealing at arm's length so that Shareholder approval is not required under Chapter 2E for the Trustees Australia Transaction.

10 RESOLUTION 6 - ELECTION OF KEITH JACKSON AS A DIRECTOR

In accordance with clause 15.3 of the Company's Existing Constitution, Keith Jackson has consented to being appointed as a Director of the Company with effect from Completion.

Information on Mr Jackson is in section 3.7 above.

11 RESOLUTION 7 - ISSUE OF STAPLED SECURITIES UNDER THE PUBLIC OFFER

11.1 Introduction

Resolution 7 seeks Shareholder approval to issue up to 72,500,000 Stapled Securities at an issue price of \$0.20 under the Public Offer to raise up to \$14,500,000.

Listing Rule 7.1 limits the number of securities a company can issue in a 12 month period to 15% of its issued share capital, except for certain issues, including where first approved by Shareholders. The effect of passing Resolution 7 is to allow the Directors to issue securities in accordance with the Resolution without those securities being included in the 15% limit.

11.2 Listing Rule 7.1

Listing Rule 7.1 limits the number of securities a company can issue in a 12 month period to 15% of its issued share capital, except for certain issues, including where first approved by Shareholders.

11.3 Information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, the following information is provided about the proposed issue of Stapled Securities under Resolution 7:

- (a) The maximum number of securities to be issued is 72,500,000 Stapled Securities.
- (b) The Stapled Securities will be issued at Completion (the issue date) and no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules).
- (c) The Stapled Securities will be issued for \$0.20 each (post-Consolidation).
- (d) The Stapled Securities will be issued to applicants who are not related parties of the Group under the Public Offer to be made under the Public Offer Document.
- (e) The Stapled Securities to be issued will consist of New Shares, each stapled to one Unit on a one for one basis. The terms of the New Shares and Units are set out in section 18.
- (f) The use of funds raised under the Public Offer is set out in section 3.14 above.
- (g) A voting exclusion statement is included in the Notice.

12 RESOLUTIONS 8 TO 10 - ISSUE OF STAPLED SECURITIES IN LIEU OF DIRECTORS' FEES

12.1 Introduction

Under Resolutions 8 to 10, the Company seeks Shareholder approval to issue 775,000 Stapled Securities to the Directors in lieu of unpaid Directors' fees of a total of \$155,000 for the five years from 1 July 2009 to 30 June 2014.

The Directors have held office for varying times between 2009 and 2014 and during that time have declined to draw Directors' fees in the interests of preserving the Company's capital and solvency. During that period the Board has evaluated numerous projects and maintained the Company's financial and legal status as an ASX listed entity. Each Director has, in the interests of conserving the capital of the Company, contributed time and effort and carried the legal risks in holding office as director of a public company without remuneration during the periods specified.

The chairman Michael Hackett has proposed these Resolutions for consideration by Shareholders to reflect, at least in a nominal manner, the contribution that each Director has made. The Resolutions proposed are to issue Stapled Securities to the Directors (or their nominees) to partially compensate for the time spent as a Director and / or Chairman based on a modest annual rate by listed company standards, of \$15,000 per annum as Chairman and \$10,000 per annum as Director comprising total annual Directors' fees of \$35,000, as follows:

Director	Period	Fees (\$)	Number of Stapled Securities
Michael Hackett	2010 - 2014	75,000	375,000
Adrian Rowley	2012 - 2014	30,000	150,000
Graham Anderson	2010 - 2014	50,000	250,000

The proposed issue requires Shareholder approval under both the Corporations Act and Listing Rules.

Other than as proposed above, the Directors have not received any financial benefit from the Company in the previous 2 years.

12.2 Directors' holdings

The Directors' interests in Stapled Securities on a post Consolidation and on raising the Minimum and Maximum Subscriptions basis will be as follows:

		Post-Consolidation	Minimum Subscription	Maximum Subscription
Michael Hackett ¹	%	34.27	9.01	5.32
	No.	4,174,065	4,549,065	4,549,065
Graham Anderson	%	8.98	2.66	1.59
	No.	1,094,003	1,344,003	1,344,003

		Post-Consolidation	Minimum Subscription	Maximum Subscription
Adrian Rowley	%	13.74	3.62	2.15
	No.	1,673,986	1,823,986	1,823,986
Keith Jackson	%	0	0.99	0.59
	No.	0	500,000	500,000
Total	%	57.00	16.28	9.65
	No.	6,942,054	8,217,054	8,217,054

1 Mr Hackett's voting power following Completion depends upon the number of Stapled Securities to be issued in satisfaction of the Interim Funding. See sections 3.11 and 3.17 for details.

12.3 Remuneration received by the Directors and their related entities

The Board has resolved, subject to Shareholders approving Resolution 14, to provide for Directors' fees (per annum) of up to \$350,000 in total with effect from Completion. The Board is yet to determine the allocation of Directors' fees following the Proposal, however it has provided for a maximum of \$100,000 in its budgets for the first year after completion, depending on whether additional directors are appointed.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

The Company will enter into officer protection deeds at or prior to Completion on standard terms with each of its current Directors (other than Mr Anderson who has already entered into a standard officer protection deed) and Mr Jones. These deeds will indemnify the Directors and Mr Jones as company secretary, in respect of certain liabilities and legal expenses incurred by them whilst acting as officers and insure them against certain risks they are exposed to as officers. The Company also, subject to the Corporations Act, pays insurance premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings while acting in the capacity of an officer.

12.4 Requirement for Shareholder approval

Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of securities to a related party. If shareholder approval is obtained under Listing Rule 10.11, shareholder approval is not required under Listing Rule 7.1 and the proposed issue will be included in the 15% annual limit permitted by Listing Rule 7.1.

Chapter 2E is summarised in section 9.5 above.

The Directors have determined that the proposed issues the subject of Resolutions 8 to 10 are reasonable in the circumstances as if the Company and the Directors were dealing at arm's length so that Shareholder approval is not required under Chapter 2E for the issues.

12.5 Information required by Listing Rule 10.13

For the purposes of Listing Rule 10.13, the following information is provided about the proposed issues:

- (a) The Stapled Securities will be issued to Michael Hackett, Adrian Rowley and Graham Anderson, or their nominees.
- (b) The number of Stapled Securities to be issued is set out above.
- (c) The maximum number of Stapled Securities to be issued is 775,000.
- (d) The issue of Stapled Securities is to occur at Completion, which will occur no later than 1 month after the date of the meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is intended that issue will occur on the same date.
- (e) The deemed issue price of each Stapled Security is \$0.20. The Stapled Securities to be issued will consist of New Shares, each stapled to one Unit on a one for one basis. The terms of the New Shares and Units are set out in section 18.
- (f) A voting exclusion statement is included in the Notice.
- (g) The Stapled Securities will be issued in satisfaction of each Director's claim for fees, and no funds will be raised from the issue.

13 RESOLUTIONS 11 TO 13 - OFFICER PROTECTION DEEDS

The Company intends to enter into Officer Protection Deeds with each of Messrs Hackett, Rowley and Jones (**Officer**) at Completion. The deeds provide, amongst other things, that:

- (a) The Company must maintain directors' and officers' insurance policies while the Officer is an officer of the Company and until the date 7 years after the Officer ceases to be an officer of the Company.
- (b) Until the date 7 years after the Officer ceases to be an officer of the Company, the Company must, upon request give the Officer access to inspect board documents at the Company's office; and allow the Officer to take copies of any board documents requested by the Officer.
- (c) The indemnity provided by the Company will continue despite the resignation or removal of the Officer as an officer of the Company; any settlement of any dispute; or the occurrence of any other thing whatsoever.

The rights above are customary for directors and officers of public companies.

Section 200B of the Corporations Act provides that the Company must not give certain persons (including directors and company secretaries) a benefit in connection with that person's retirement from office or employment unless there is shareholder approval under section 200E. Benefit is defined broadly to include any legal or equitable rights. Resolutions 11 to 13 seek that approval.

The benefit has no value at the date of this Explanatory Memorandum, and may conceptually have a value if and where an officer seeks to rely upon it.

Mr Anderson recommends that Shareholders vote in favour of these Resolutions, as he considers the benefit provided to be necessary, reasonable and in the best interests of the Company. Mr Rowley and Mr Hackett have an interest in the outcome of the Resolutions therefore do not consider it appropriate to make a recommendation.

Shareholder approval is being sought to increase the total pool of fees available from which to pay fees to Non-Executive Directors. The current maximum aggregate amount which Shareholders have approved to be paid as fees to the Non-Executive Directors is \$150,000 per annum. However, given the Proposal and the composition of the Board, it is considered that this level should be increased to \$350,000 per annum with effect from completion of the Meeting, to be divided amongst the Non-Executive Directors as the Directors may determine. The increase is in order to attract and retain directors of the calibre required to effectively guide and monitor the business of the Company and to maintain directors' fees in line with market conditions. While Messrs Hackett, Rowley and Jackson comprise the Board, it is expected that Director's fees in the first year of operation will be paid at an annual rate not exceeding \$100,000.

Clause 16.1 of the Company's Existing Constitution and Listing Rule 10.17 provide that the total remuneration of Non-Executive Directors may not be increased except pursuant to a resolution passed at a general meeting of the Company where notice of the suggested increase has been given to Shareholders in the notice convening the meeting. The Company's Existing Constitution also provides that this amount may be divided among the Directors in the manner and in such proportions as they shall from time to time agree, or in default of agreement, equally.

Currently there are 3 Non-Executive Directors on the Board. They are currently not receiving any remuneration although they are entitled to a fixed fee totaling \$150,000 per annum. Refer to section 12 regarding Resolutions 8 to 10.

Details of the Chairman's remuneration are set out in the Company's 2013 annual report.

For the purposes of Clause 16.1 of the Existing Constitution and Listing Rule 10.17, Shareholder approval is sought to increase the maximum aggregate amount which can be paid as fees to the Non-Executive Directors by \$200,000 from \$150,000 to \$350,000 per annum.

In addition to the reasons stated above, the Company considers it necessary to increase the aggregate amount payable to Non-Executive Directors in order to:

- (a) attract and retain the calibre of director required to ensure the quality of management at Board level is maintained at a high level;
- (b) provide the Company with flexibility within the Shareholder approved amount to increase the number of Non-Executive Directors should suitable and qualified candidates be identified;
- (c) provide the Company with flexibility within the Shareholder approved amount to increase Non-Executive Directors' fees in line with fees for similar companies and market conditions should it be deemed appropriate in the future; and
- (d) ensure that Non-Executive Directors are reasonably remunerated considering the additional legal duties and potential liabilities of directors of publicly listed entities.

15 RESOLUTION 15 - LONG TERM INCENTIVE PLAN

15.1 Introduction

If the Proposal is approved, the Company proposes to adopt a Long Term Incentive Plan which, amongst other things, allows the Company to lend funds to eligible Group directors and employees to acquire Stapled Securities.

The Long Term Incentive Plan is intended to provide an opportunity to eligible participants to participate in the Company's future growth and provide an incentive to contribute to that growth. The Long Term Incentive Plan is further designed to assist in attracting and retaining employees.

Eligible Group employees will have a direct financial interest in the performance of the Group by virtue of their Stapled Securities, thereby ensuring a closer alignment between the interests of Group employees and the interests of Group Security holders.

The issue of Stapled Securities to eligible Group employees would be expected to reduce a Security holders' proportional ownership of the Group. In addition, the issue of Stapled Securities has the potential to dilute earnings if the proceeds of exercise cannot be invested in assets which will provide the required return.

A copy of the Long Term Incentive Plan will be made available for inspection at the Meeting. A summary of the Long Term Incentive Plan is set out in Annexure 3.

15.2 Requirement for Shareholder approval

Shareholder approval is not required under the Corporations Act or the ASX Listing Rules for the establishment or operation of the Long Term Incentive Plan. However, Shareholder approval is being sought to allow the Company to rely on an exception to the calculation of the 15% limit imposed by ASX Listing Rule 7.1 on the number of securities that may be issued without shareholder approval. ASX Listing Rule 7.2 exception 9(b) provides that ASX Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme that has been approved by shareholders and the issue of securities is within 3 years from the date of shareholder approval of the issue of securities under the employee incentive scheme.

If an offer is made to a Director to participate in the Long Term Incentive Plan then separate Shareholder approval will need to be obtained prior to securities being issued to a Director under the Long Term Incentive Plan.

16 RISKS

An investment in the Group is not risk free. Before deciding to approve the Proposal and invest in the Stapled Securities, Shareholders should read the Notice and Explanatory Memorandum and consider at least the following risks in light of their personal circumstances and investment objectives (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser.

The operating and financial performance and position of the Group, the value of Stapled Securities and the amount and timing of any dividends and distributions that the Group may pay will be influenced by a range of factors. Many of the risks set out below are beyond the control of the Group and the Directors. Accordingly, these factors may have a material effect on the Group's performance and profitability which may cause the market price of Stapled Securities to rise or fall over any given period.

The below risks are not intended to be exhaustive of the risk factors to which the Group is exposed.

16.1 Implementation risk

Assuming Shareholders approve Resolutions 1B to 7, the Company's Shares will remain suspended until the Company is able to re-comply with Chapters 1 and 2 of the Listing Rules. There is a risk that this may not occur, or occur on terms and conditions disadvantageous to existing Shareholders.

16.2 Specific risks

Following are certain risks specific to an investment in the Group:

(a) Limited track record

The Group is adopting a new business model in seeking to aggregate and operate dairy farms and while the sharefarming arrangements which have been in place for the last twelve months provide valuable confirmation of production levels per cow and hectare, the operation of the Brucknell Farms as a single corporate unit, and corporatisation of dairy farms generally, is a new venture. There are risks in investing in new venture businesses.

(b) Acquisition risk

Under the Proposal the Group will actively seek to acquire dairy farms for which it believes there is scope to improve the farm yields and returns. There are risks associated with acquisitions, including that the acquired properties do not fulfill the acquisition criteria.

(c) Milk prices

Milk prices are set by the Australian and global markets depending on the product type, seasonal demand and tariffs. In recent years, competitive forces within Australia have influenced fresh milk pricing whereas the export market for milk product is determined by international supply and demand and global seasonal conditions. Changes in global milk pricing will affect the revenue earned by the Group. The Company will not be a direct exporter of milk, but rather sell its fresh milk to Victorian located processors which are primarily exporters of processed milk products.

(d) Management risks, including reliance on key management

The responsibility of the day-to-day operations and the strategic management of the Group depends substantially on its experienced, full-time, farm managers and key supervisory team. The Group has retained consultants to provide specific operational oversight services and advice on specialist areas of dairy farming such as agronomy, animal health and nutrition. There can be no assurance given that there will be no detrimental impact on the Group if one or more of these employees or consultants cease their engagement with the Group.

(e) Operating risks

The operation of farms and other agricultural activities involve risks to employees, contractors, livestock and plant and equipment through accident, malfunction and acts of God, and other events which may often be not foreseen or be able to be insured against and in respect of which the Group and its Directors and management have little or no control or knowledge about. Some events may cause considerable or even catastrophic damage to the Group and its assets. There can be no assurance that the Group can avoid such events.

(f) Environmental risks

Agricultural businesses are often exposed to various environmental risks such as fire, flood, drought and unseasonal rain, wind and storms and similar events of nature, which can have adverse or positive impacts on the operation of the business, the health and well-being of livestock and the safety of personnel and equipment. These risks are part of the expectation in agriculture and there are limited avenues to mitigate such risks. The business strategy of the Group is to select farm properties which are located in areas which have relative stability from such environmental extremes, and to undertake mitigation controls and procedures, including awareness training and planning to limit to the extent reasonable impact from such events when they occur.

(g) Global climate conditions risk

Changes in global and regional weather and climate conditions are not easily or reliably predictable and on a season by season basis have a positive or negative effect on farm production, which in turn affects revenues and costs. Secular changes in climate conditions and any taxes or regulation introduced to mitigate such change may have adverse effects on asset values over time.

(h) Commodity price volatility and exchange rate risks

Commodity prices, including dairy products, fluctuate and are affected by many factors beyond the control of the Group including tariffs and quotas that are imposed by some foreign governments. These factors also include supply and demand fluctuations, forward selling activities and other macro-economic factors.

As an Australian entity the Group raises its capital in Australian dollars. A significant proportion of Australia's and particularly Victoria's dairy production is sold into the world market and traded mainly in US dollars. Consequently, the price achieved in Australian dollars is affected by movements in US and other trading partner exchange rates. At times when the Australian dollar is strong, returns from exported agricultural products will be less than when the Australian dollar is weak. However, the income and expenditure of the Group are and will be taken into account in

Australian currency, exposing the Group to the fluctuations and volatility of the rate of exchange between foreign currencies and the Australian dollar as determined in international markets.

(i) Transmittable diseases

The bio-security conditions for producing food products and strict quarantine regimes in Australia are highly regarded internationally and like New Zealand are supported by its island geography. However there is no guarantee that serious transmittable diseases that affect livestock internationally can be prevented from being introduced in Australia.

(j) Availability of appropriately skilled labour

Notwithstanding that the management team engaged by the Group will devote considerable effort to identifying and engaging high quality and experienced personnel, there is a risk that the Group will not be able to source the required skilled labour in order to fully staff its planned operations from time to time.

(k) Regulatory

Changes in relevant taxes, legal and administration regimes, accounting practice and government licensing and operations policies may adversely affect the financial performance of the Group. In order to perform its dairy activities the Group must comply with the environmental legislation of Federal, State and Local governments, which may include changes to the conditions of or further obligations under its environmental and water use licences and other regulated entitlements.

(l) Additional requirements for capital

The Group's capital requirements depend on numerous factors. Depending on the Group's ability to generate income from its operations, the Group may require further financing in the future. Any additional equity financing will dilute security holdings. Debt financing, if available, may involve restrictions on financing and operating activities. If the Group is unable to obtain additional financing as needed, it may be required to limit the scope of its operations and scale back its expansion programme as the case may be.

(m) Competition risk / consumption trends / new supply to market

The dairy industry is subject to domestic and global competition. Although the Group will undertake all reasonable due diligence in its business decisions and operations, the Group will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Group's projects and business.

(n) Insurance risks

The Group intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Group's insurance may not be of a nature or level to provide adequate insurance cover and in some circumstances appropriate insurance cover may not be available or financially viable for certain risks. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Group.

16.3 General investment risks

In addition to the above specific risks associated with the Group's proposed operations there are also general risks associated with an investment in securities. These include:

(a) Securities investments and share market conditions

There are risks associated with any securities investment. The price at which the securities trade may fluctuate in response to a number of factors.

Furthermore, the stock market may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Group regardless of the Group's operational performance. Neither the Group nor the Directors warrant the future performance of the Group, or any return of an investment in the Group.

(b) Economic risk

Changes in both Australian and world economic conditions may adversely affect the financial performance of the Group. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

(c) Legal proceedings

Legal proceedings may arise from time to time in the course of the business of the Group. As at the date of this Meeting Booklet, other than as disclosed in section **Error! Reference source not found.**, there are no material legal proceedings affecting the Group and the Directors are not aware of any material legal proceedings pending or threatened against or affecting the Group.

17 SUMMARY OF MATERIAL CONTRACTS

Following are summaries of contracts material to the Proposal:

Listing Agreement

Parties	The Company, Trustees Australia, as responsible entity for the Trust, DFI Management Pty Limited and DFI Brucknell.
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Purpose	<p>The Listing Agreement is an overview agreement of the general terms on which the Company and the Trust agreed with DFI Brucknell as vendor of the Brucknell No 1 Farm and its associates regarding:</p> <ul style="list-style-type: none">• acquisition of Brucknell No 1 Farm and associated Livestock, equipment and chattels;• the Company's and the Trust's processes in undertaking the change of activity, restructure, capital raising and re-compliance with ASX Listing Rules to become a stapled security with the Brucknell Farms as its initial assets; and• interim management arrangements for the Brucknell No 2 Farm and conditional arrangements for future management of the Brucknell Farms subject to the Company's agreement.
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Conditions precedent	The Listing Agreement is subject to conditions precedent including the quotation on ASX of Australian Dairy Farms Group as a stapled security and Completion. The conditions precedent must be satisfied by 30 September 2014 unless further extended by the Parties.
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Lease for interim period	<p>From 1 July until Completion:</p> <ul style="list-style-type: none">• the Trust has agreed to grant a lease of Brucknell No 2 Farm to SWDF;• the Livestock Trust agrees to grant a licence of the Brucknell No 2 Farm Livestock to SWDF; and• DFI Brucknell has agreed to grant a licence for the Brucknell No 1 Farm and the Brucknell No 1 Farm Livestock to SWDF.
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Other terms	<p>The Trust and DFI Management Pty Ltd have agreed that subject to Securityholder approval and other conditions, at completion of a second capital raising in excess of \$40 million, the Group will enter into a management agreement whereby:</p> <ul style="list-style-type: none">• the Group will pay remuneration to DFI Management based on the total production of milk solids as determined by the records of the milk processors receiving milk supplied from the farms; and• the Group will issue DFI Management Pty Ltd 3.5% of the total number of Stapled Securities on issue (subject to compliance with the Listing Rules).
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Brucknell No 1 Farm land acquisition agreement

Parties	The Trust and DFI Brucknell
Purpose	The Trust has agreed to purchase the Brucknell No 1 Farm and certain plant and equipment from DFI Brucknell for \$4,395,000.
Conditions precedent	Settlement of the purchase is conditional upon Completion.
After settlement	The residence on the property will continue to be occupied by the farm manager after settlement of the purchase.
Termination	The agreement will terminate if the Listing Agreement (summarised above) terminates.
Other terms	The purchase is otherwise on terms which incorporate the standard terms contained in the Victorian Law Institute land agreement and industry standard plant and equipment contracts.

Contract for the sale of livestock and plant and equipment

Parties	DFI Brucknell and SWDF (as assignee)
Terms	DFI Brucknell has agreed to sell to SWDF the chattels, plant and equipment located on Brucknell No 1 Farm and the dairy herd at Brucknell No 1 Farm comprising of approximately 528 cows in milk, 97 R2 heifers and 108 R1 heifers at market value depending on age and health at Completion.
Purchase price	The purchase price of the chattels, plant and equipment will be \$150,000 and the livestock will be the value agreed by the parties 14 days before completion or if the parties have not reached agreement by that time the value determined by taking the average of two valuations, one obtained by DFI Brucknell and one obtained by SWDF.
Completion	Completion will occur on the same date and time as settlement under the Brucknell No 1 land acquisition agreement.

Lease agreement for Brucknell Farms

Parties	Trustees Australia as Responsible Entity of the Trust and SWDF (in relation to Brucknell No 2 Farm). DFI Brucknell, Trustees Australia as Responsible Entity of the Trust and SWDF (in relation to Brucknell No 1).
Purpose	Trustees Australia and SWDF have entered into a lease under which the Trust will lease the Brucknell Farms to SWDF.
Lease payments	The total annual payment under both leases will be 4% of the total carrying value of the farms. The total carrying value of the farm will be determined in accordance with the accounting policies adopted by the Trust, including to account for farm property using the fair value model, under which farms are initially valued at cost (including transaction costs) and subsequently at fair value based upon

	market values (being the estimated amount for which the farm could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgeably).
Term of the lease	5 years, however, the agreement may be terminated by notice if Completion has not occurred by 30 September 2014 (or such other date as the parties agree).
Other terms	The leases are otherwise generally on industry standard terms for dairy farm property leases.

Option Agreement

Parties	The Company, SWDF and Trustees Australia as Responsible Entity of the Trust
Purpose	SWDF operations re the Brucknell Farms. The Trust has granted the Company an option to acquire SWDF for the consideration of \$1. By exercising the option the Company will acquire the assets and rights and obligations to operate the Brucknell Farms.
Option	The option may be exercised by the Company during the option period (which will expire on 31 October 2014 or such other date as the parties agree).
Warranties	The Trust has warranted that it is the registered holder and beneficial owner of all of the shares in SWDF free from any security interest.

CBA Loan

Parties	Commonwealth Bank of Australia and The Trust
Terms	The Trust is a borrower under a CBA Loan under which CBA has lent the Trust \$2,250,000 to purchase the Brucknell No 2 Farm. The loan matured on 14 June 2014 and has been extended for a further period of six months to 31 December 2014 unless renegotiated on or before Completion. The loan is secured by a first registered mortgage over the Brucknell No 2 Farm and a first ranking security interest over all present and after acquired property of Trustees Australia as trustee for the Trust. It is otherwise on terms ordinarily found in an agreement of this type. The Trust and APA are currently negotiating the terms of a new bank facility with CBA, which reflects the expected borrowings of up to \$4 million after Completion.

Interim Funding Facility

Parties	Fiduciary Nominees Pty Ltd, the Trustee for the Hackett Superannuation Fund, the Trustee for the Mikko Superannuation
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	Fund, the Trustee for the Elizabeth Merish Superannuation Fund, Michael Leslie and Elizabeth Lillian Hackett and Trustees Australia (as joint lenders) and Trustees Australia as trustee for the Interim Facility Trust
Terms	The Trust is a borrower under the Interim Funding Facility under which the joint lenders (listed above) have provided funding of approximately \$3,160,000 for the acquisition of the Brucknell No 1 Farm, Livestock and certain Plant and Equipment, as well as development work and improvements on that farm. Refer to the Investigating Accountant's Report for details of the Interim Funding.
Interest and security	<p>The outstanding loan amount under the Interim Funding attracts interest at 8% per annum calculated daily and compounding monthly.</p> <p>The loan provided by the Interim Facility Trust (\$3.16m at 31 March 2014) is repayable on the earlier of 31 December 2014 and Completion. The loan is secured by an unregistered second mortgage over the Brucknell No 2 Farm.</p>
Intentions	The Group intends to repay between \$0.81m (under Minimum Subscription) and \$1.81m (under Maximum Subscription) of the loan owing to the Interim Facility Trust from the proceeds of the Public Offer. The balance of loans owing to the Interim Facility Trust will be repaid through the issue of unsecured convertible notes.
Loan agreement between Trustees Australia as trustee for the Interim Facility Trust and Trustees Australia as trustee for the Trust	
Parties	Trustees Australia as trustee for the Interim Facility Trust (as lender) and Trustees Australia as trustee for the Trust (as borrower).
Loan	\$1.95 million exclusively to enable the Trust to complete the purchase of the Brucknell No 2 Farm.
Repayment date	On or before the earlier of 31 December 2014 and Completion.
Interest rate	8% per annum calculated on a cumulative daily rests basis on the outstanding loan.
Secured property	Brucknell No 2 Farm, all of the issued Units in the Interim Facility Trust and all of the issued Units in the Trust.
Convertible Notes	
Parties	Trustees Australia as trustee for the Interim Facility Trust and as responsible entity for the Trust The Company
Purpose	At Completion the Group will issue Trustees Australia the Convertible Notes to repay the balance of the loan owing to the Interim Facility Trust (between \$2.35m under Minimum

	Subscription and \$1.35m under Maximum Subscription).
Issue date:	The date Completion occurs.
Conversion:	At any time up to maturity.
Conversion price:	\$0.20 per Stapled Security.
Maturity:	Two years from Completion.
Events of default:	<p>If any of the following events of default occur, any money owing by the Group under the agreement will be paid to Trustees Australia within 20 business days of Trustees Australia issuing a written notice requiring repayment of such money:</p> <ul style="list-style-type: none"> (a) where Trustees Australia is removed as responsible entity of the Trust; (b) a receiver, manager, receiver and manager, trustee, administrator, controller or similar officer is appointed in respect of the Group; (c) a liquidator or provisional liquidator is appointed in respect of the Group; (d) if the Group defaults in fully performing, observing and fulfilling any provision of the agreement, provided that in the case of a default capable of remedy, that default has not been remedied within 20 business days of the occurrence of such default; (e) the agreement is, becomes or is claimed by the Group to be, void, voidable or unenforceable in whole or in part or in breach of the Listing Rules; and (f) subject to the terms of the agreement, at any time it is or becomes unlawful for the Group to perform any of its obligations under the agreement.
Interest rate:	2% above the rate paid by the Group under the CBA Loan.
Security:	None
Stapling Deed	
Parties	The Company and Trustees Australia (as trustee of the Trust) will enter into a stapling deed immediately following the Consolidation.
Purpose	The Stapling Deed will set out the terms of the relationship between the Company and the Trust in respect of the New Shares and the Trust Units that comprise the Stapled Securities.
Stapling	The New Shares and Trust Units will remain stapled unless a special resolution of the holders of Stapled Securities approves unstapling.
Cooperation and consultation	The Company and the Trust agree to share accounting and other information, and to cooperate in operating of the Company and

	the Trust in providing information to investors, valuing assets, preparing accounts, holding meetings, issuing securities and making distributions.
Dealings in Stapled Securities	New Shares and Trust Units may only be issued or transferred as part of Stapled Securities.
Registers	The Company's register of shareholders and the Trust's register of unitholders are to be kept jointly.
Duties	When carrying out their duties, the Company and the Trust may consider the interests of holders of Stapled Securities as a whole, not only the interests of the members of the Company and the Trust separately.
Dispute resolution	If there are disagreements about stapling issues, the Company and the Trust must use their best efforts to resolve them and negotiate in good faith before instituting proceedings.
Deed of retirement of Trustees Australia as responsible entity	
Parties	Trustees Australia and the Company
Terms	Trustees Australia has entered into an agreement with the Company whereby Trustees Australia will retire as responsible entity of the Trust in favour of Dairy Fund Management Limited (a wholly owned subsidiary of the Company) without penalty at the request of the Company, provided the Interim Funding is fully repaid or at Trustees Australia's option, converted in part or in full to Stapled Securities

18 TERMS OF STAPLED SECURITIES

The following is a summary of the more significant rights and liabilities attaching to the New Shares and Units. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Securityholders. To obtain such a statement, persons should seek independent legal advice. The summaries below should be read in conjunction with the terms of the Stapling Deed (summarised in section 17).

18.1 Shares and the Company's Constitution

The following is a summary of the rights and liabilities attaching to the Shares. Full details are set out in the Company's Proposed Constitution (subject to Shareholder passing Resolution 3), the Corporations Act, the Listing Rules and the general law.

A copy of the Proposed Constitution can be inspected, free of charge, at the registered office of the Company during normal business hours. The following rights are subject to the stapling deed as set out in section 17.

(a) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. The person who holds a share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant Share bears to the total issue price of the Share. Voting may be in person or by proxy, attorney or representative.

(b) Dividends

Subject to the rights of holders of shares issued with any special rights (at present there are none), the Board may from time to time determine that a dividend is payable and fix the amount of the dividend. All Shares currently on issue and the shares to be issued under the Public Offer Document are fully paid Shares.

(c) Future issues of securities

Subject to the Corporations Act, the Constitution and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued shares in the Company at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

(d) Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any recognized or electronic system established or recognized by ASX for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or the Board.

(e) Meetings and notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Shareholders may requisition meetings in accordance with the Corporations Act.

(f) Election of Directors

There must be a minimum of 3 Directors. At every annual general meeting one third of the Directors (rounded up if necessary, to the nearest whole number) must retire from office. Any other Director who, if they do not retire, will at the conclusion of the meeting have been in office for 3 or more years and for 3 or more annual general meetings since he or she was last elected to office must also retire. These retirement rules do not apply to certain appointments including the managing director.

(g) Indemnities

To the extent permitted by law the Company must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

(h) Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the shareholders:

- (i) divide the assets of the Company among the members in kind;
- (ii) determine how the division is to be carried out as between the members or different classes of members.

(i) Shareholder liability

As the Shares under the Public Offer Document are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(j) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days' written notice specifying the intention to propose the resolution as a special resolution must be given.

(k) Listing Rules

While the Company is admitted to the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

(l) Stapling

The Board may from time to time, and at any time, determine that some or all of the securities in the Company are stapled to shares, units or other securities or financial products in one or more other managed investment schemes, companies or entities. While stapling applies, the intention is that, so far as the law permits, an ordinary share and the attached

securities which are stapled together are collectively to be treated as one security.

18.2 Units and the Trust's Constitution

Following is a summary of the rights and liabilities attaching to the Units. Full details are set out in the Trust's Constitution, the Corporations Act, the Listing Rules and the general law.

A copy of the Constitution can be inspected, free of charge, at the registered office of the Company during normal business hours. The following rights are subject to the stapling deed as set out in section 17.

(a) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of units, at a general meeting of members every member has one vote on a show of hands and one vote per Unit on a poll. Voting may be in person or by proxy, attorney or representative.

(b) Distribution

The Responsible Entity must receive and collect all income of the Trust and may determine, in its absolute discretion, whether any receipt, profit, gain (whether realised or unrealised), payment, loss, outgoing, provision or reserve or any sum of money or investment in a financial year is or is not to be treated as being on income or capital account. The Responsible Entity may, prior to the end of a financial year, determine the distributable income of the Trust for that financial year in its absolute discretion.

(c) Future issues of securities

Subject to the Corporations Act as modified by any applicable ASIC instrument, the Responsible Entity may issue Units at a price determined by the Responsible Entity by reference to the prevailing market price. The Responsible Entity may amend this Constitution by supplemental deed to provide for a specific issue price for those Units; and it may issue those Units at the specified price.

(d) Transfer of Units

A member may transfer all or any of their Units by whatever written transfer form the Responsible Entity may require from time to time.

(e) Meetings and notices

Each member is entitled to receive notice of, and to attend, general meetings of members and to receive all notices, accounts and other documents required to be sent to unitholders under the Constitution, the Corporations Act or the Listing Rules.

The Responsible Entity may convene a meeting of members or members of a class at any time and may determine the time and place and the manner in which the meeting will be conducted.

Members may requisition meetings in accordance with the Corporations Act.

(f) Responsible entity

The Trust is registered with ASIC as a managed investment scheme with Trustees Australia as its Responsible Entity. Subject to the constitution of the Trust, the Stapling Deed and the Corporations Act, the Responsible Entity may determine whether to exercise and, if so, the manner, mode and

time of exercise of its duties, powers and discretions in its absolute discretion.

(g) Indemnities

The Responsible Entity is indemnified and is entitled to be reimbursed out of the scheme's assets for, or pay from the scheme's assets, all liabilities and losses incurred by it in relation to the proper performance of its duties and exercise of its powers in relation to the operation, administration and management of the scheme or otherwise in connection with the scheme.

(h) Winding up

The Trust terminates on the earliest of the date specified by the Responsible Entity as the date that the scheme is to terminate in a notice given to members; and the date on which the scheme terminates in accordance with another provision of this Constitution or an order of court or by law. Subject to any special rights, obligations or restrictions attaching to any particular Unit or class of Units, the net proceeds of realisation and all other cash forming part of the scheme assets will be distributed to the members in proportion to the number of Units held by them at the date of the distribution.

(i) Unitholder liability

Except as expressly provided for in the Constitution and subject to any contrary agreement with a member:

- (i) the liability of each member is limited to the liability to pay any unpaid part of the issue price of Units held by the member; and
- (ii) no Member in their capacity as a member is liable to, or is required to, indemnify the Responsible Entity or any creditor of the Responsible Entity against any liability of the Responsible Entity in respect of the scheme in any case whatsoever including if at any time the liabilities of the scheme exceed the value of the scheme assets,

in each case even in relation to things done by the Responsible Entity at the direction or request of a member which give rise to liabilities of the Responsible Entity in connection with the scheme.

(j) Alteration to the Constitution

The Responsible Entity may, in accordance with the Corporations Act, modify the Constitution.

(k) Fees

The Responsible Entity is entitled to a management fee of 2% per annum (exclusive of GST) of the gross asset value of the scheme assets. Upon the granting of a new lease or an extension of an existing lease of the premises that form part of the scheme assets, the Responsible Entity will be entitled to a leasing fee of 15% of the gross income for the first year of any new or extended term of a lease.

(l) Listing Rules

If the Trust is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act

to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

(m) Stapling

The Responsible Entity may from time to time, and at any time, determine that some or all Units or other securities, in the scheme are stapled to units or equivalent securities, in one or more other managed investment schemes, companies or other entities. There must be no dealing or disposition of any kind in relation to a Unit unless there is also an identical dealing or disposition by the same parties with each unit in a stapled entity to which that Unit is stapled.

19 ADDITIONAL INFORMATION

19.1 Disclosure regarding the claim of Technology Capital Pty Ltd

The Company and Trustees Australia made announcements to ASX in October and November 2013 regarding a purported claim against APA and Trustees Australia by Technology Capital Pty Ltd, a former corporate adviser to Dairy Farm Investments (Management) Limited, a New Zealand company of which Mr Keith Jackson is a director. Mr Jackson is a proposed director of Australian Dairy Farms Limited and is a director of DFI Brucknell, the vendor of Brucknell No 1 Farm.

Neither the Company nor Trustees Australia believes that the Technology Capital claim against either Trustees Australia or the Company has any reasonable basis or that either entity has any liability to Technology Capital.

19.2 Additional matters regarding ASIC Regulations

ASIC provides guidance on various types of managed investment schemes including in respect of Property Schemes and Agricultural Business (agribusiness schemes). The managed investment scheme contemplated by the Trust is a direct property scheme for investment in direct property of dairy farms and related support farms. The Trust is not operating a business other than in respect of the derivation of rental income including rental income which reflects the agricultural performance, location and other attributes of the underlying property.

19.3 ASIC relief and ASX waivers and confirmations

In addition to ASX waivers sought and set out in section 8.1, the following exemptions from ASIC may, if required, be sought to facilitate the listing of the Group:

- (a) An exemption from part 5C.7 of the Corporations Act to allow the Trust to provide financial benefits to the Company and its controlled entities as long as the Trust and the Company's securities are stapled. By virtue of Part 5C.7 of the Corporations Act, the Trust and its controlled entities are prohibited from providing financial benefits out of the Trust property to the Company, or entities controlled by the Company. This exemption will facilitate transactions within the Group.
- (b) An exemption from Chapter 5C of the Corporations Act to require the Company to act in the best interests of holders of Stapled Securities rather than Unitholders. Section 601FC(1)(c) and 601FD(1)(c) of the Corporations Act require the Responsible Entity and its officers to act in the best interest of Unitholders. The Trust's constitution, will allow the Responsible Entity to have regard to the interest of the holders of Stapled Securities and not only Unitholders. This is to facilitate the management of the Group.

19.4 Other material information.

Other than as contained in the Meeting Booklet, there is no information material to the making of a decision in relation to the Proposal that is within the knowledge of:

- (a) the Company or its Directors; or
- (b) Trustees Australia or its directors.

20 DEFINITIONS

In the Notice, Explanatory Memorandum and PDS:

AEST	means Australian Eastern Standard Time.
ASIC	means Australian Securities and Investments Commission.
ASX	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
Australian Dairy Farms Group or Group	means the group formed by the stapling of the securities of the Company (to be renamed Australian Dairy Farms Limited) and Australian Dairy Farms Trust.
Australian Dairy Farms Trust or Trust	means the trust established by Trustees Australia as trustee on or about 27 February 2013 with the previous name Dairy Farm Investments Trust (ARSN: 600 601 689).
Board	means the board of Directors.
Borrowing	has the meaning given in section 3.13.
Brucknell No 1 Farm	means the dairy farm located at 463 Moreys Road Brucknell Victoria.
Brucknell No 2 Farm	means the dairy farm located at 417 Moreys Road Brucknell Victoria.
Brucknell Farms	means collectively Brucknell No 1 Farm and Brucknell No 2 Farm.
CBA	means the Commonwealth Bank of Australia.
CBA Loan	has the meaning given in section 3.11.
Completion	means the contemporaneous completion of each of the acquisition of the Brucknell No 1 Farm, Stapling existing Shares and Units, the issue of Stapled Securities under the Public Offer and exercise of the SWDF Option, following receipt of a draft decision from ASX to admit the Stapled Securities to quotation on ASX (subject to conditions satisfactory to the Board), and Completion will not occur until each of these events has occurred.
Consolidation	means the conversion of Shares existing at Completion on a 5 for 1 basis (rounded up to the nearest whole number), which conversion is proposed to become effective on a date to be announced to ASX in accordance with the Listing Rules.
Company	means APA Financial Services Limited (ABN: 36 057 046 607).
Convertible Notes	has the meaning given in section 3.11.
Corporations Act	means the Corporations Act 2001 (Cth) as amended.

Dairy Farm Aggregation Plan	has the meaning given in section 3.8.
DFI Brucknell	means Dairy Farm Investments (Brucknell) Limited (ABN: 48 132 173 329)
Director	means a director of the Company.
Deed Poll	has the meaning given in section 8.1.
Eligible Shareholder	means a Shareholder on the Record Date who is not an Ineligible Shareholder.
Existing Constitution	means the constitution of the Company at the date of this Notice.
Explanatory Memorandum	means this explanatory memorandum.
Independent Expert's Report	means the report prepared by Pitcher Partners for the purpose of resolution 5.
Ineligible Shareholder	has the meaning given in section 8.10.
Interim Funding	has the meaning given in section 3.11.
Interim Facility Trust	has the meaning given in section 3.11.
Leases	means leases for the Brucknell Farms.
Licences	means a licence to use the Livestock, plant and equipment necessary to operate dairy farms from the Brucknell Farms.
Listing Rules	means the listing rules of the ASX.
Livestock	has the meaning given in section 3.11.
Long Term Incentive Plan	means the incentive plan for personnel of the Group attached as Annexure 3 to this Meeting Booklet.
Maximum Subscription	means \$14,500,000 to be raised under the Public Offer.
Meeting	means the meeting of Shareholders convened by this Notice.
Meeting Booklet	means the Notice, Explanatory Memorandum and PDS.
Minimum Subscription	means \$7,500,000 to be raised under the Public Offer.
New Share	means a fully paid ordinary share in the capital of the Company resulting as a replacement share from the Consolidation.
Notice or Notice of Shareholder Meeting	means this notice of meeting.
Officer Protection Deed	means an officer protection deed on standard terms as set

	out in section 13.
Official List	means the official list of the ASX.
OneVue	means OneVue Holdings Limited (ACN 108 221 870).
Option	means an option to be issued a Stapled Security.
PDS	means the product disclosure statement lodged with ASIC on 1 August 2014 and which is Annexure 5 of this Meeting Booklet.
Pitcher Partners	means Pitcher Partners Corporate Finance Limited.
Proposal	means the transaction set out in the Explanatory Memorandum, including the Stapling, the Public Offer, the exercise of the SWDF Option and the acquisition of the Brucknell No 1 Farm.
Proposed Constitution	means the constitution proposed to be adopted for the Company at Completion.
Priority Offer	means an offer of 10,000 Stapled Securities made to Shareholders on a record date to be determined.
Proxy Form	means the proxy form attached to this Notice.
Public Offer	has the meaning given in section 3.8.
Public Offer Document	means the prospectus and product disclosure statement for the offer of up to 72,500,000 Stapled Securities at an issue price of \$0.20 each to raise up to \$14,500,000 and a minimum of \$7,500,000 to be lodged by the Group with ASIC.
Record Date	means 11 September 2014.
Resolution	means a resolution set out in the Notice.
Responsible Entity	means the responsible entity of the Trust appointed from time to time in accordance with the Corporations Act.
Share	means a fully paid ordinary share in the capital of the Company before Consolidation into New Shares.
Shareholder	means a holder of a Share or a New Share as the context requires.
Securities Registry	mean Link Market Services Limited ACN 083 214 537.
Stapled Security	means a stapled security in the Australian Dairy Farms Group comprising one New Share and one Unit.
Stapling	means stapling New Shares and Units in the manner set out in section 3.6.
Stapling Deed	means the stapling deed between Trustees Australia and the

	Company, the terms of which are summarised in section 17.
Stapling Issue	has the meaning given in section 3.11(b)(ii).
SWDF	means SW Dairy Farms Pty Limited, a special purpose proprietary limited company wholly owned subsidiary of Trustees Australia incorporated for the purpose of holding the Leases, Licences and Livestock.
SWDF Option	has the meaning given in section 3.9.
Trustees Australia	means Trustees Australia Limited ABN 42 010 653 862.
Trustees Australia Transaction	has the meaning given in Resolution 5.
Unit	means a fully paid unit in the Australia Dairy Farms Trust.

Stapling Deed Poll

Trustees Australia Limited (ACN 010 653 862) as responsible entity for the Australian Dairy Farm Trust (ARSN 600 601 689)

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Details

Date _____

Parties

Name	Trustees Australia Limited as responsible entity for the Australian Dairy Farm Trust (ARSN 600 601 689)
ACN	ACN 010 653 862
Short form name	Company
Notice details	Administration, Level 1, 41 Edward Street, BRISBANE, QLD, 4000 Attention: Michael Hackett Facsimile: (07) 3020 3080

In favour of:

Name	Persons with a registered address in Australia or New Zealand who hold Shares on the Record Date
Short form name	Eligible Shareholders

Background

- A. Trustees Australia is the responsible entity of the Australian Dairy Farm Trust, a registered managed investment scheme (ASRN 600 601 689).
- B. The Company and Trustees Australia have entered into a listing agreement dated 28 February 2014 (as varied from time to time) (**Listing Agreement**) for the purpose of (amongst other things) effecting the stapling of New Shares and Units (**Stapling**), under which Trustees Australia has agreed to issue Units to Eligible Shareholders, on the basis of one Unit for every New Share held.
- C. To effect the issue, Trustees Australia has agreed to enter into this deed poll for the purpose of covenanting in favour of the Eligible Shareholders to perform its obligations under the Listing Agreement and the Stapling.

This deed poll provides

1 DEFINED TERMS & INTERPRETATION

1.1 Defined terms

Unless the context otherwise provides, terms defined in the Listing Agreement or the Meeting Booklet have the same meaning when used in this deed poll.

1.2 Interpretation

Clause 1.2 of the Listing Agreement applies to the interpretation of this deed poll.

1.3 Nature of deed poll

Trustees Australia acknowledges that this deed poll may be relied on and enforced by any Eligible Shareholder in accordance with its terms even though the Eligible Shareholders are not party to it.

2 CONDITIONS TO OBLIGATIONS

2.1 Conditions

The obligations of Trustees Australia under this deed poll are subject to the Completion and the terms and conditions set out in the Meeting Booklet.

2.2 Termination

The obligations of Trustees Australia under this deed poll to Eligible Shareholders will automatically terminate and the terms of this deed poll will be of no further force or effect if:

- (a) the Listing Agreement is terminated in accordance with its terms; or
- (b) the Stapling is not effected by the End Date.

2.3 Consequences of termination

If this deed poll is terminated under clause 2.2, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Trustees Australia is released from its obligations to further perform this deed poll except those obligations under clause 6.2; and
- (b) each Eligible Shareholder retains any rights they have against Trustees Australia in respect of any breach of this deed poll which occurred before it was terminated.

3 ISSUE OF UNITS TO ELIGIBLE SHAREHOLDERS

3.1 Undertaking to issue Units to Eligible Shareholders

Subject to clause 2, Trustees Australia undertakes in favour of each Eligible Shareholder to:

- (a) issue Units to each Eligible Shareholder on the basis of one Unit for each Share held on the Record Date; and
- (b) undertake all other actions attributed to it under the Stapling,

for a price per Unit equal to \$100.00 divided by the total number of New Shares held by Eligible Shareholders immediately prior to such issue, and otherwise subject to and in accordance with the Stapling.

3.2 Units to rank equally

Trustees Australia covenants in favour of each Eligible Shareholder that the Units which are issued to each Eligible Shareholder in accordance with the Stapling will:

- (a) rank equally with all existing Units; and
- (b) be issued fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.

4 RETIREMENT

Trustees Australia will take all necessary steps to retire as responsible entity of the Trust upon the Convertible Notes being repaid or converted in full.

5 WARRANTIES

Trustees Australia represents and warrants that:

- (a) it is a corporation validly existing under the laws of Australia;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
- (d) this deed poll is valid and binding on it.

6 CONTINUING OBLIGATIONS

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Trustees Australia has fully performed its obligations under this deed poll;
or
- (b) the earlier termination of this deed poll under clause 2.2.

7 GENERAL

7.1 Notices

- (a) A notice or other communication in respect of this deed poll (**Notice**) must be in writing and delivered by hand or sent by pre-paid post or fax to Trustees Australia at the address or the fax number for Trustees Australia set out in this deed or as otherwise specified by Trustees Australia by Notice.
- (b) A Notice may be given by Trustees Australia to Eligible Shareholders by either Trustee Australia or the Company announcing the Notice on the ASX platform.
- (c) A Notice to or by Trustees Australia must be in legible writing and in English.
- (d) A Notice must be signed by the person giving the Notice or by a person duly authorised by that person.
- (e) Email or similar electronic means of communication must not be used to give Notices in respect of this deed poll.
- (f) A Notice sent by post is regarded as given and received on the second Business Day following the date of postage.
- (g) A fax is regarded as given and received on production of a transmission report by the machine from which the fax was sent which indicates that the fax was sent in its entirety to the recipient's fax number, unless the recipient informs the sender that the Notice is illegible or incomplete within 4 hours of it being transmitted.
- (h) A Notice delivered or received other than on a Business Day or after 5.00pm (recipient's time) is regarded as received at 9.00am on the following Business Day and a Notice delivered or received before 9.00am (recipient's time) is regarded as received at 9.00am.

7.2 Duty

Trustees Australia will:

- (a) pay all duties and any related fines and penalties in respect of the Stapling and this deed poll, the performance of this deed poll and each transaction effected by or made under the Stapling and this deed poll; and
- (b) indemnify each Eligible Shareholder against any liability arising from failure to comply with clause 7.2(a).

7.3 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in Victoria.
- (b) Trustees Australia irrevocably submits to the non-exclusive jurisdiction of courts exercising jurisdiction in Victoria and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed. Trustees Australia irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.4 Waiver

Trustees Australia may not rely on the words or conduct of any Eligible Shareholder as a waiver of any right unless the waiver is in writing and signed by the Eligible Shareholder granting the waiver.

7.5 Variation

A provision of this deed poll may not be varied unless the variation is agreed to by a majority of Eligible Shareholders (by number of Units to which they are entitled), in which event Trustees Australia will enter into a further deed poll in favour of the Eligible Shareholders giving effect to the variation.

7.6 Cumulative rights

The rights, powers and remedies of Trustees Australia and the Eligible Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.7 Assignment

- (a) The rights created by this deed poll are personal to Trustees Australia and each Eligible Shareholder and must not be dealt with at law or in equity without the prior written consent of Trustees Australia.
- (b) Any purported dealing in contravention of clause 7.7(a) is invalid.

7.8 Further action

Trustees Australia must, at their own expense, do all things and execute all documents necessary to give effect to this deed poll.

ANNEXURE 2 - AMENDMENTS TO THE EXISTING CONSTITUTION

2. Inserting the following defined terms in clause 1.5:

“Deed Poll means the deed poll executed by Trustees Australia on 1 August 2014 and for the benefit of members on the Record Date.

Effective Date means the date members approve resolution 4 in the Notice of Meeting and Explanatory Memorandum issued by the Company and dated 1 August 2014.

Ineligible Shareholder has the meaning given in the Notice of Meeting and Explanatory Memorandum issued by the Company and dated 1 August 2014.

Proposal has the meaning given in the Notice of Meeting and Explanatory Memorandum issued by the Company and dated 1 August 2014.

Record Date has the meaning given in the Notice of Meeting and Explanatory Memorandum issued by the Company and dated 1 August 2014.

Stapling has the meaning given in the Notice of Meeting and Explanatory Memorandum issued by the Company and dated 1 August 2014.

Trust means the Australian Dairy Farms Trust ARSN 600 601 689, as established by a trust deed dated 27 February 2013.

Trust Constitution means the constitution of the Trust, as varied from time to time.”

3. Insert the following as clause 6A:

“To affect Stapling on and from the Effective Date:

- (a) *the Company has the power to do all things which it considers are reasonably necessary, desirable or incidental to effect Stapling and the Proposal;*
- (b) *each member on the Record Date agrees to be issued units in the Trust and to be bound by the Trust Constitution;*
- (c) *each member on the Record Date, without the need for any further act, irrevocably appoints the Company as its agent and attorney to do all things, including executing documents on its behalf, which the Company considers are reasonably necessary, desirable or incidental to effect Stapling; and*
- (d) *each member on the Record Date, without the need for further act, irrevocably appoints the Company as that member’s agent and attorney for the purpose of enforcing the Deed Poll against Trustees Australia Limited as responsible entity for the Trust on behalf of that member.*

4. Inserting the following as clause 6B:

“Where the Company has given notice to Ineligible Shareholders and to effect the Stapling:

- (a) *as agent and attorney for each Ineligible Shareholder, the Company may sell Shares held by the Ineligible Shareholders; and*
- (b) *each Ineligible Shareholder:*

- (i) *without the need for any further act, irrevocably appoints the Company as its agent and attorney to do all things, including executing documents on its behalf, which the Company considers are necessary, desirable or reasonably incidental to give effect to Stapling and the Proposal; and*
- (ii) *is deemed to have represented and warranted to the Company that all of its Shares which are sold by the Company are fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind not referred to in this Constitution, and that it has the full power and capacity to sell or otherwise transfer its Shares in accordance with the Proposal."*

5. Amending clause 7.1 by inserting the words "and 6A." at the end of the clause.
6. Amending clause 7.3 by inserting the words "and 6A." after the words "clauses 5.5 or 6.4".
7. Amending clause 7.4 by inserting the following word "or" after the words "relating to the forfeiture".

ANNEXURE 3 - SUMMARY OF LONG TERM INCENTIVE PLAN

1. Purpose

The purpose of the Long Term Incentive Plan is to allow the Board to make offers to Eligible Employees to acquire either directly or via performance rights or options, Stapled Securities (LTI Securities) in the Group.

2. Eligible Participants

The Plan is open to employees of the Group or its subsidiaries, joint venture companies and associates, as the Board determines from time to time (including a director of the Group) or any other person who is declared by the Board to be eligible to receive a grant of a performance right or option (as the case may be) under the Long Term Incentive Plan.

3. Offers

The Board may, from time to time and in its absolute discretion, invite Eligible Employees to participate in a grant of Stapled Securities, which may comprise of any one or more of:

- (a) Stapled Securities;
- (b) performance rights over Stapled Securities; and/or
- (c) options to acquire Stapled Securities.

4. Expiry Date

An Option will lapse upon the earliest to occur of:

- (a) 7 years or any other date nominated as the expiry date in the invitation letter;
- (b) the Option lapsing in accordance with the Long Term Incentive Plan; and
- (c) failure to meet a performance condition or any other conditions applicable to the Option within the prescribed period.

5. Lapse

Where a participant ceases to be an employee of the Group, that participant's LTI Securities will continue to be held by the participant (or by his or her estate as a representative) and continue to be subject to the rules of the Long Term Incentive Plan except that any continuous service condition will be deemed to have been waived.

However, prior to or within 60 days after a participant ceases to be an employee of the Group the Board may determine (in its absolute discretion) that some or all of a participant's LTI Securities will:

- (a) vest or become exercisable;
- (b) are only exercisable for a prescribed period and will otherwise lapse;
- (c) continue to be subject to some or all of the performance conditions; or
- (d) lapse on the date of cessation of employment.

6. Stapled Securities issued on exercise of LTI Securities

Any Stapled Security issued under the Long Term Incentive Plan will rank equally in all respects with other Stapled Securities for the time being on issue by the Group

except as regards any rights attaching to such Stapled Securities by reference to a record date prior to the date of their issue.

7. Transferability and quotation

If the Group is listed on the ASX, the Company will apply for quotation of Stapled Securities issued under the Long Term Incentive Plan within the period required by ASX.

Any dealing in respect of an LTI Security is prohibited unless the Board determines otherwise; or the dealing is required by law.

Dealing means any dealing, including but not limited to:

- (a) a sale, transfer, assignment, encumbrance, option, swap, any alienation of all or any part of the rights attaching to the LTI Security or Stapled Security;
- (b) any attempt to do any of the actions set out in paragraph (a) above.

ANNEXURE 4 - NOTICE OF MEETING

Notice is hereby given that a general meeting of the Shareholders of APA Financial Services Limited (to be renamed Australian Dairy Farms Limited) will be held at the Ether Conference Centre, Earth Room, 265 Little Bourke Street, Melbourne Victoria on 1 September 2014 at 10.30am (AEST) (*Meeting*).

Terms and abbreviations used in this Notice and Explanatory Memorandum are defined in section 20 of the Explanatory Memorandum.

The business to be conducted at the Meeting is as follows:

1 RESOLUTION 1A - SALE OF MAIN UNDERTAKING

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That, for the purposes of Listing Rule 11.2 and for all other purposes, approval is given for the Company to dispose of all or part of its interest in OneVue, as set out in the Explanatory Memorandum with effect from completion of this Meeting."

A voting exclusion statement is set out below.

2 RESOLUTION 1B - CHANGE TO NATURE AND SCALE OF ACTIVITIES

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That, for the purposes of Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of the Company's activities, through acquiring, operating and managing dairy farms, initially through exercising an option to acquire SW Dairy Farms Pty Limited, as set out in the Explanatory Memorandum with effect from completion of this Meeting."

A voting exclusion statement is set out below.

3 RESOLUTION 2 - CHANGE OF COMPANY NAME

To consider, and if thought fit, to pass with or without amendment the following as a special resolution:

"That, for the purposes of section 157(1) of the Corporations Act and for all other purposes, approval is given for the name of the Company to be changed from APA Financial Services Limited to "Australian Dairy Farms Limited", with effect from Completion."

4 RESOLUTION 3 - ADOPTION OF NEW CONSTITUTION

To consider, and if thought fit, to pass with or without amendment the following as a special resolution:

"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, the Company adopts the Proposed Constitution in the form as signed by the Chairman of the Meeting for identification purposes only, in lieu of the Company's Existing Constitution, with effect from Completion."

5 **RESOLUTION 4 - CONSOLIDATION OF CAPITAL AND STAPLING**

To consider, and if thought fit, to pass with or without amendment the following as a special resolution:

“That:

- (a) for the purposes of section 136(2) of the Corporations Act and for all other purposes, the Company amend its Constitution in the manner as set out in Annexure 2 of the Meeting Booklet, with effect from completion of the Meeting;
- (b) for the purposes of section 254H of the Corporations Act, Listing Rule 2.1 Condition 2 and for all other purposes, that on the condition the Minimum Subscription is raised, the issued capital of the Company be consolidated on the basis that every 5 Shares are consolidated into 1 New Share on the terms set out in the Explanatory Memorandum; and where this consolidation results in a fraction of a New Share being held by a Shareholder, the Directors be authorised to round that fraction up to the nearest whole New Share, with effect on a date to be announced to ASX in accordance with the Listing Rules; and
- (c) for all purposes, the Company be authorised to enter into the Stapling Deed.”

6 **RESOLUTION 5- TRUSTEES AUSTRALIA TRANSACTION**

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

“That, for the purposes of Listing Rules 10.1 and 10.11 and for all other purposes, Shareholders approve:

- (a) the Company exercising an option to acquire SW Dairy Farms Pty Limited from Trustees Australia;
- (b) the repayment of the Interim Funding to Trustees Australia or its nominee, through, one or more of the following:
 - (i) the issue of up to 11,750,000 Stapled Securities;
 - (ii) payment of cash to the Interim Facility Trust; or
 - (iii) the issue of the Convertible Notes,

on the terms set out in the Explanatory Memorandum (Trustees Australia Transaction).”

A voting exclusion statement is set out below.

Shareholders should carefully consider the Independent Expert’s Report prepared by Mr Ross Walker of Pitcher Partners Corporate Finance Limited for the purposes of Listing Rule 10.10. The Independent Expert’s Report comments on the fairness and reasonableness of the Trustees Australia Transaction to the non-associated Shareholders. The Independent Expert has determined that the Trustees Australia Transaction is both fair and reasonable to the non-associated Shareholders.

7 RESOLUTION 6 - ELECTION OF KEITH JACKSON AS A DIRECTOR

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That, for the purposes of clause 15.3 of the Existing Constitution, Keith Jackson who has been nominated as a candidate by a Shareholder in accordance with clause 15.10 of the Existing Constitution, and having consented in writing to act, be elected as a Director, with effect from Completion."

8 RESOLUTION 7 - ISSUE OF STAPLED SECURITIES UNDER THE PUBLIC OFFER

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"Those, for the purposes of Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 72,500,000 Stapled Securities under the Public Offer at an issue price of \$0.20 and otherwise on the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

9 RESOLUTION 8 - ISSUE OF STAPLED SECURITIES TO MICHAEL HACKETT IN LIEU OF DIRECTOR'S FEES

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 375,000 Stapled Securities to Michael Hackett or his nominee in consideration of the non-payment of Director's fees including as the Company's Chairman, for all of the five financial years ended 30 June 2010 to 2014 and in accordance with the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

10 RESOLUTION 9 - ISSUE OF STAPLED SECURITIES TO ADRIAN ROWLEY IN LIEU OF DIRECTOR'S FEES

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 150,000 Stapled Securities to Adrian Rowley or his nominee in consideration of the non-payment of Director's fees, for all of the three financial years ended 30 June 2012 to 2014 and in accordance with the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

11 RESOLUTION 10 - ISSUE OF STAPLED SECURITIES TO GRAHAM ANDERSON IN LIEU OF DIRECTOR'S FEES

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That, for the purposes of Listing Rule 10.11 and for all other purposes, Shareholders approve the issue of 250,000 Stapled Securities to Graham Anderson or his nominee in consideration of the non-payment of Director's fees, for all of the five financial years ended 30 June 2010 to 2014 and in accordance with the terms set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

12 RESOLUTION 11- OFFICER PROTECTION DEED - MICHAEL HACKETT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of section 200E of the Corporations Act and for all other purposes, approval is given for the Company to enter into an Officer Protection Deed with Mr Michael Hackett on the terms and conditions set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

13 RESOLUTION 12- OFFICER PROTECTION DEED - ADRIAN ROWLEY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of section 200E of the Corporations Act and for all other purposes, approval is given for the Company to enter into an Officer Protection Deed with Mr Adrian Rowley on the terms and conditions set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

14 RESOLUTION 13- OFFICER PROTECTION DEED - JEROME JONES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That for the purposes of section 200E of the Corporations Act and for all other purposes, approval is given for the Company to enter into an Officer Protection Deed with Mr Jerome Jones on the terms and conditions set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

15 RESOLUTION 14 - APPROVAL OF INCREASE IN DIRECTORS' FEES

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

"That, for the purposes of Listing Rule 10.17, clause 16.1(a) of the Company's Existing Constitution and for all other purposes, Shareholders approve an increase in Directors' annual remuneration from \$150,000 to \$350,000 on the terms and conditions set out in the Explanatory Memorandum."

A voting exclusion statement is set out below.

16 RESOLUTION 15 - LONG TERM INCENTIVE PLAN

To consider, and if thought fit, to pass with or without amendment the following as an ordinary resolution:

“Those, for the purposes of Listing Rule 7.2 (Exception 9(b)) and for all other purposes, Shareholders approve the Long Term Incentive Plan on the terms and conditions set out in the Explanatory Memorandum.”

A voting exclusion statement is set out below.

17 VOTING PROHIBITION AND EXCLUSION STATEMENTS

In accordance with Listing Rule 14.11 the Company will disregard any votes cast on the following Resolutions by the following persons:

Resolution 1A - Sale of main undertaking	Persons who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any associate of those persons.
Resolution 1B - Change of nature and scale of activities	Persons who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any associate of those persons.
Resolution 5 - Trustees Australia Transaction	Trustees Australia, and any of its associates.
Resolution 7 - Issue of Stapled Securities under the Public Offer	Persons who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity as a holder of ordinary securities, if the Resolution is passed, and any associate of those persons.
Resolution 8 - Issue of Stapled Securities to Michael Hackett in lieu of Director's fees	Michael Hackett, and any of his associates.
Resolution 9 - Issue of Stapled Securities to Adrian Rowley in lieu of Director's fees	Adrian Rowley, and any of his associates.
Resolution 10 - Issue of Stapled Securities to Graham Anderson in lieu of Director's fees	Graham Anderson, and any of his associates.
Resolution 11- Officer protection deed - Michael Hackett	Michael Hackett, and any of his associates.
Resolution 12- Officer protection deed - Adrian Rowley	Adrian Rowley, and any of his associates.
Resolution 13- Officer protection deed - Jerome Jones	Jerome Jones, and any of his associates.

Resolution 14 - Approval of increase in Directors' fees	A director of the entity, and any associate of those persons.
Resolution 15 - Long Term Incentive Plan	A director of the entity, except one who is ineligible to participate in any employee incentive scheme in relation to the entity, and any associate of those persons.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form; or
- (b) it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

18 INTER CONDITIONALITY

Resolutions 1B to 7 are inter-conditional on each other. If one or more of these Resolutions are not passed, then the remaining Resolutions will be withdrawn and the Proposal will not proceed. Resolutions 8 to 10 and 14 and 15 are conditional upon Shareholders approving Resolutions 1B to 7.

19 ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read the Notice and this Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

19.1 Proxies

All Shareholders are invited and encouraged to attend the Meeting. Any Shareholder who is unable to attend in person, may appoint a representative (or proxy) to attend on their behalf by signing and returning the Proxy Form (attached to the Notice) to the Company in accordance with the instructions on the Proxy Form. The Company encourages Shareholders completing a Proxy Form to direct the proxy how to vote on each Resolution.

The Proxy Form must be received no later than 48 hours before the commencement of the Meeting, i.e. by no later than 10.30am AEST on 30 August 2014. Any Proxy Form received after that time will not be valid for the Meeting.

A Proxy Form may be lodged in the following ways:

By Mail APA Financial Services Limited GPO Box 6 Brisbane QLD 4001

By email shareholders@apafs.com.au

By Facsimile +61 7 3020 3080

Shareholders lodging a Proxy Form are not precluded from attending and voting in person at the Meeting.

19.2 Corporate representatives

Any Shareholder which is a body corporate may appoint a person to act as its corporate representative at the Meeting by providing that person with a certificate

or letter executed in accordance with the Corporations Act authorising him or her to act as the body corporate's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.


An appointment of corporate representative form is available from the website of the Company at www.apafs.com.au

19.3 Eligibility to vote

The Directors have determined that, for the purposes of voting at the Meeting, Shareholders are those persons who are the registered holders of Shares at 7.00pm (AEST) on 30 August 2014.

By order of the Board of Directors

APA Financial Services Limited



Michael Hackett (Chairman)

1 August 2014

Australian Dairy Farms Trust
ARSN: 600 601 689
Product Disclosure Statement

For the issue of Units to Eligible Shareholders pursuant to an invitation to vote on a resolution to effect the stapling of New Shares and Units.

Issued by Trustees Australia Limited (ABN 42 010 653 862, AFSL 260033) in its capacity as responsible entity of the Australian Dairy Farms Trust (ABN 92 472 779 170).

The Meeting Booklet for the General Meeting of APA Financial Services Limited (ABN: 36 057 046 607) forms part of this Product Disclosure Statement.

This Product Disclosure Statement is important and requires your immediate attention. You should read this Product Disclosure Statement (including the Meeting Booklet) in its entirety and consult your professional advisers in respect of the contents of this PDS.

The Directors consider the Units to be issued under this Product Disclosure Statement to be speculative.

No funds are to be raised under this Product Disclosure Statement.

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Important Notice

This product disclosure statement (**PDS**) is dated 1 August 2014 and a copy of the PDS was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this PDS.

Trustees Australia Limited holds current AFSL authorisations to enable it to act as the responsible entity for the Trust as a managed investment scheme.

In accordance with section 1013L of the Corporations Act this PDS is made up of this document and the Meeting Booklet for the General Meeting of APA Financial Services Limited (ABN: 36 057 046 607) (the **Company**). Both this document and the Meeting Booklet should be read in their entirety. If you do not fully understand this PDS or are in any doubt as to how to deal with it, you should consult your professional adviser.

No person is authorised to give information or to make any representation in connection with this PDS which is not contained in the PDS. Any information or representation not so contained may not be relied on as having been authorised by the Company or the Responsible Entity in connection with this PDS.

This PDS is subject to an exposure period of 7 days from the date of lodgment with ASIC. This period may be extended by ASIC for a further period of up to 7 days. The purpose of this exposure period is to enable this PDS to be examined by market participants prior to Units being issued. The Responsible Entity will not issue Units until the exposure period has expired, and the Shareholders have approved Resolution 4 at the Meeting.

Defined terms and abbreviations used in this PDS are defined in the Meeting Booklet dated 1 August 2014.

1 STAPLING

1.1 Background to the Stapling

Background on the Consolidation and Stapling is set out in section 8 of the Meeting Booklet.

1.2 Details of the Consolidation and Stapling

Pursuant to the Notice of Meeting, the Company is inviting Shareholders to vote on a consolidation of the Company's Shares on the basis of 1 New Share for every 5 Shares on issue. To affect Stapling, Eligible Shareholders will at Completion be issued one Unit for every New Share held on the Record Date.

The invitation to vote contained in the Notice of Meeting and subsequent issue of Units are offers which require Trustees Australia to give a PDS before the Units are issued. Accordingly, Trustees Australia has issued this PDS.

1.3 Conditions

The issue of Units to Eligible Shareholders is subject to Completion and the Group being satisfied that it will be able to comply with Chapters 1 and 2 (the admission requirements) of the Listing Rules, as set out in the Meeting Booklet.

1.4 Action required by Shareholders

Shareholders should carefully read the Meeting Booklet and, if they have any queries either contact the Company or seek their own independent advice.

Should Shareholders approve the Consolidation, at Completion the Trust will issue Units to Eligible Shareholders on the basis of 1 Unit for each New Share held on that date.

1.5 Significant benefits and significant risks

The significant benefits of the Proposal are set out in section 3 of the Meeting Booklet and the significant risks of the Proposal are set out in section 16 of the Meeting Booklet. Section 4 of the Meeting Booklet sets out the advantages and disadvantages of the Proposal.

1.6 Enquiries

Any questions concerning the Stapling should be directed to the Company Secretary on +61 7 3020 3020.

2 INFORMATION INCORPORATED INTO THIS PDS

In reliance on Regulation 7.9.15DA of the *Corporations Regulations 2001* (Cth), this PDS incorporates by reference, the Annual Financial Report of the Company (ASX code: APP) for the financial year ended 30 June 2013 and the Annual Financial Report for Trustees Australia (ASX code: TAU) for the financial year ended 30 June 2013 (**Annual Financial Reports**) which are both publicly available on the ASX website at www.asx.com.au.

The Annual Financial Reports for the financial year ended 30 June 2013 contain the financial results for the Company and the Responsible Entity for the financial year referred to and include details of the directors and offices of the Company or the Responsible Entity and other information required to be included in a special purpose financial report.

A copy of the Annual Financial Reports may be obtained, free of charge, by contacting Trustees Australia at its registered office during normal business hours from the date of this PDS to the date of issue of the Units.

3 TAXATION IMPLICATIONS

The taxation consequences for a particular Shareholders or investor may vary depending on their own specific circumstances. Accordingly, the information contained below, being of a general nature only, does not constitute taxation advice and cannot be relied upon as such. The following summary is in relation to the Australian income tax implications for Australian resident Shareholders who intend to hold their Stapled Securities on capital account. The summary is based on the Group's established interpretation of taxation law as at the date of this PDS.

Shareholders and investors should seek appropriate independent professional taxation advice that considers the taxation implications of the content of this PDS to their own specific circumstances.

3.1 Cost Base of New Shares after consolidation

Each Shareholder will have an existing cost base for capital gains tax (CGT) purposes in respect of the Shares held in the Company at the Record Date. It is likely to be different for each Shareholder. Once the Shares are consolidated on the basis of one New Share for each five Shares held, the total cost base will remain the same, however the cost base per Share will be the total cost base apportioned to the smaller number of New Shares held after consolidation (refer Division 112 of the Income Tax Assessment Act 1997 (the **1997 Act**)).

3.2 Acquisition of Units by Eligible Shareholders

Under Stapling Issue, Eligible Shareholders will be issued one Unit for each New Share held on the Record Date.

As these Units have not been provided by the Company their receipt does not constitute either a dividend or a return of capital for taxation purposes. Accordingly there is no assessable dividend arising under Section 44 of the Income Tax Assessment Act 1936 (the 1936 Act). Further there is no return of the capital which may give rise to CGT event G1 (refer Section 104-135 of the 1997 Act). CGT Event H2 (refer Section 104-155 of the 1997 Act) has potential application as the Units are received in relation to the shareholding in the Company. However, as the Units have no value at the time they are issued CGT Event H2 will not apply to cause an assessable capital gain to arise in Shareholders' hands.

The Units allocated to Eligible Shareholders will also not have any cost base for capital gains tax purposes.

3.3 Distributions

Following the Stapling Issue, Shareholders may in future receive trust distributions from the Units and/or dividends in respect of the Shares.

3.4 Trust distributions

The net income of the Trust will be calculated in accordance with the relevant provisions of the Australian income tax legislation, in the usual way. Under Division 6 of the 1936 Act, a trustee is not personally taxed on the net income of the trust provided unitholders are presently entitled to the income of the Trust. It is intended that the Trust will continue to be a flow through Trust such that Division 6 should apply to the net income of the Trust. On this basis, Securityholders will include their share of the net income of the Trust in their assessable income in the year in which they become presently entitled to their share of the income of the Trust.

To the extent that a Securityholder's share of the net income is attributable to a capital gain made by the Trust, the Securityholder will be treated as having made a capital gain equal to that amount. Where the capital gain is a discount capital gain, the Securityholder is treated as making a discount capital gain equal to twice the amount that is attributable to the discount capital gain. The Securityholder may be entitled to apply their relevant discount percentage to the discount capital gain to the extent that it is included in a net capital gain made for the income year.

Where the distribution that a Securityholder receives exceeds their share of the net income of the Trust, the excess may include CGT concession or tax deferred amounts which will be non-assessable to the Securityholder.

However, the tax deferred distribution will result in a reduction in the Securityholder's cost base on those Units.

The Securityholder will make a capital gain equal to the amount by which the tax deferred distributions received for an income year exceed the Securityholder's remaining cost base in those Units.

3.5 Receipt of dividends

If dividends are paid in respect of the Company, Australian resident unitholders will be required to include the amount of any dividends distributed in their assessable income in the usual way when paid.

The precise tax consequences arising from the receipt of the dividend will vary depending on the nature of the Securityholder and if the dividends are franked. Subject to our comments below, Australian resident Shareholders (and other Securityholders) may be required to gross up dividends included in their assessable income for any attached franking credits and may be entitled to a tax offset equal to the franking credit. Excess franking credits (that is, where franking offsets exceed income tax payable) may give rise to tax refunds for certain Shareholders.

Under Australian income tax legislation, an Australian resident Securityholder must be a "qualified person" in order to be entitled to a tax offset in respect of the franked dividends received. The requirements of the qualified person test are complex and require, in broad terms, for the Securityholder to hold the shares or an interest in the shares at risk for a continuous period of 45 days during the relevant qualification period before being required to gross up the dividend to include the attached franking credit in their assessable income or becoming entitled to a tax offset.

Securityholders should obtain their own advice based on their specific circumstances to confirm that they are entitled to the benefit of any tax offset in respect of any franked dividends received in respect of the Company.

3.6 Tax File Numbers and Australian Business Numbers

Shareholders are not required by law to provide a Tax File Number ("TFN"), however, if a TFN is not quoted, or no appropriate TFN exemption information is provided, tax is required to be withheld from any income distribution entitlement or unfranked dividend at the highest marginal tax rate plus Medicare levy (currently 49%).

An entity that makes their investment in the Stapled Securities in the course of an enterprise carried on by it may quote their Australian Business Number rather than a TFN.

3.7 Goods and services Tax ("GST")

The issue of Units under the Stapling Issue should not attract GST.

4 SHAREHOLDERS RESIDENT IN NEW ZEALAND

The issue of Units to New Zealand investors under the Stapling Issue is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and *Corporation Regulations 2001* (Cth). In New Zealand, this is Part 5 of the *Securities Act 1978* and the *Securities (Mutual Recognition of Securities Offerings-Australia) Regulations 2008*.

The Stapling Issue and the content of the PDS are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporation Regulations 2001 (Cth) (Australia) set out how the Stapling Issue must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Stapling Issue. If you need to make a complaint about the Stapling Issue, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf.

If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

The dispute resolution process described in the PDS is only available in Australia and is not available in New Zealand.

A copy of this PDS and other documents relating to the Offer have been, or will be, lodged with the New Zealand Companies Office under the mutual recognition regime.

5 OVERSEAS SHAREHOLDERS

The treatment of Ineligible Shareholders is set out in section 8.10 of the Meeting Booklet.

6 FEES AND OTHER COSTS

6.1 Consumer advisory warning

The consumer advisory warning below is required to be included by law in a product disclosure statement for a managed investment scheme. However, because the Trust will be ASX listed and the Units will form part of the Stapled Securities of the Group, no fees will be charged directly to Stapled Securityholders. All fees payable by the Trust will be paid by the Responsible Entity directly from the assets of the Trust.

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period

(for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

Your employer may be able to negotiate to pay lower administration fees. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the ASIC website www.moneysmart.asic.gov.au has a managed investment fee calculator to help you check out different fee options.

6.2 Fees and other costs

This PDS shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the managed investment product		
<i>Establishment fee</i> : the fee to open your investment	Nil	Not Applicable
<i>Contribution fee</i> ¹ : the fee on each amount contributed to your investment	Nil	Not Applicable
<i>Withdrawal fee</i> ¹ : the fee on each amount you take out of your investment	Nil	Not Applicable
<i>Exit fee</i> ¹ : the fee to close your investment	Nil	Not Applicable
Management costs		
<i>The fees and costs for managing your investment</i>	Trustees Australia is entitled to be paid management fees of up to 2% per annum (exclusive of GST) of the gross asset value of the Trust's assets.	These fees will be paid from the income or assets of the Trust calculated and accrued daily. Payable monthly in arrears.
	A fee of 15% of the first year's annual gross rent upon entering a new lease, or an extension of an existing lease of the premises that form part of the Trust assets.	This fee will be paid from the income or assets of the Trust on the earlier of the date in which the new lease or the extended term is entered into and the date on which the tenant commences paying rent under the new lease or extended term of the lease.

Type of fee or cost	Amount	How and when paid
Service fees		
<i>Switching fee: the fee for changing investment options</i>	Nil	Not Applicable

¹ This fee includes an amount payable to an adviser.

6.3 Example of annual fees and costs

This table gives an example of how the fees and costs in the Trust can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

EXAMPLE	AMOUNT	BALANCE OF \$50,000 WITH A CONTRIBUTION OF \$5,000 DURING YEAR
Contribution Fees	Nil	For every additional \$5,000 you put in, you will be charged nil.
PLUS Management Costs (excluding operating expenses)	Trustees Australia is entitled to be paid management fees of up to 2% per annum (exclusive of GST) of the gross asset value of the Trust's assets and a fee of 15% of the first year's annual gross rent upon entering a new lease, or an extension of an existing lease of the premises that form part of the Trust assets.	And , for every \$50,000 you have in the balanced investment option you will be charged up to \$1,000 each year.
EQUALS Cost of balanced investment option		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged up to \$1,100 each year.

6.4 Additional explanation of fees and costs

The Responsible Entity is entitled to charge fees as set out in the Trust's constitution. While Trustees Australia is the Responsible Entity, it will charge the fees set out in the Trust's constitution. However, on retirement of Trustees Australia in favour of Australian Dairy Funds Management Limited (formerly known as APA Equities Limited) (ACN 140 957 286), a wholly owned subsidiary of the Company, the Trust will be an internally managed trust, and at that time the Trust will not be subject any third party fund management fees other than to outsourced service providers, if any.

Operating expenses of the Trust include any custodian or other service provider's expenses, including registry fees, ASX fees, audit and insurance costs, compliance and regulatory costs, employee salaries, Directors' fees and general expenses of the Trust.

7 DISCLOSURE REQUIRED BY THE CORPORATIONS ACT

The Corporations Act requires this PDS to contain certain information regarding the offer of Units as follows:

- (a) no amount will or may be payable by an investor after Stapled Securities are allotted and issued;
- (b) the Responsible Entity does not take into account labour standards or environmental, social or ethical considerations in the selection, retention or realisation of its investments;
- (c) as a disclosing entity, the Responsible Entity will be subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to the Responsible Entity may be obtained from, or inspected at, an ASIC office;
- (d) you have a right to obtain a copy of the following documents:
 - (i) the annual report most recently lodged with ASIC;
 - (ii) any half-year financial report lodged with ASIC; and
 - (iii) any continuous disclosure notices given by the Responsible Entity, from ASIC and/or ASX or, if you request such documents from the Responsible Entity, the Responsible Entity will provide them free of charge;
- (e) holders of Units will not have a cooling off right; and
- (f) in respect of the Units to be issued under the Stapling Issue, no application monies will be received by the Responsible Entity or the Company.

Notwithstanding any other provision of this PDS, each Stapled Securityholder agrees to provide any information and documents reasonably requested by the

Group or the Responsible Entity to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth) and any other applicable anti-money laundering or counter-terrorism financing laws of any country including, without limitation, any applicable laws imposing “know your customer” or other identification checks or procedures to which the Group and the Responsible Entity are subject pursuant to the laws of any country (*AML/CTF laws*). If the Group forms the view that, in its reasonable opinion, it is required to disclose information to any person in order to comply with its obligations under the AML/CTF laws, to the extent permitted by law, each Stapled Securityholder agrees that such disclosure will not be a breach of any obligation or duty, whether such obligation or duty is imposed by contract or law, owed by that party and that party will be released from any claim made against it in respect of such disclosure.

7.2 ASX listing

The Company and Trustees Australia are currently admitted to the Official List.

Trustees Australia, as responsible entity of the Trust, and the Company will apply for the Group to be admitted to the Official List and for Units to, together with New Shares, be quoted as stapled securities. The Group will apply to the ASX within 7 days after the date of this PDS to be listed on the ASX.

If ASX does not grant permission for admission of the Group to the Official List or for the quotation of the Stapled Securities within 3 months after the date of this PDS, or such longer period as is permitted by the Corporations Act, none of the Units offered by this PDS will be allotted or issued.

A decision by ASX to grant official quotation of the Stapled Securities is not to be taken in any way as an indication of ASX's view as to the merits of the Group or of the Stapled Securities. ASX and its officers take no responsibility as to the contents of this PDS, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss arising from or in reliance upon any part of the content of this PDS. Quotation, if granted, of the Stapled Securities will commence as soon as practicable after statements of holdings of the Stapled Securities are dispatched.

7.3 Customer service, complaints and dispute resolution procedure

The Responsible Entity is committed to striving for excellence in relation to its products and services and wants to ensure that it responds to customers' concerns as quickly and efficiently as possible. Complaints will occur from time to time and, to this end, the Responsible Entity has in place comprehensive complaints resolution processes to ensure they are resolved with minimum inconvenience to all parties. If you have a complaint, please contact us on +61 7 3020 3020 or email shareholders@apafs.com.au. We will either try to resolve your complaint or put you in contact with someone who is better placed to resolve the complaint. If you

are not satisfied with the response you receive or if you wish to submit a written complaint, you may write to us at:

The Complaints Officer
Level 1, 41 Edward Street
Brisbane, Queensland

Please provide the detail and reason for your complaint and we will attempt to resolve the matter and respond within 45 days of receipt.

If you are dissatisfied with our response, you may raise the matter directly with the Financial Ombudsman Service (**FOS**).

Its contact details are:

Financial Ombudsman Service
GPO Box 3
Melbourne Vic 3001
Telephone: 1300 780 808 (within Australia) and
+61 3 9613 7366 (outside Australia)
Fax: +61 3 9613 6399
Email: info@fos.org.au

Please note that a complaint must have gone through the complaints handling process before it can be referred to FOS.

8 ADDITIONAL INFORMATION

8.1 Action required by Shareholders

No action is required by Shareholders under this PDS. Should Shareholders approve the Stapling; Eligible Shareholders will at Completion be issued one Unit for every New Share held on the Record Date in accordance with the terms set out in the Meeting Booklet. After Completion, Eligible Shareholders will receive a holding statement for their Stapled Securities on a post consolidated basis.

A product disclosure statement is normally required to include an application form for shares. ASIC has granted relief from the requirement in ASIC Class Order [CO 07/10] so that the application form is not required to be included in this PDS.

8.2 Directors' holdings

Trustees Australia, an entity controlled by Mr Hackett, beneficially holds all of the 200 Units currently on issue. To effect Stapling, these Units will be redeemed for a nominal payment. Mr Hackett and the directors of the Company will have an interest in Stapled Securities on a post Consolidation basis as is set out in section

12.2 of the Meeting Booklet. The remaining directors of the Responsibility Entity, Messrs Leman and Daly are not directors or shareholders of the Company and will not be issued Units under the Stapling Issue.

8.3 Remuneration of the responsible entity

Trustees Australia and Michael Hackett will receive the benefits set out in section 9 of the Meeting Booklet.

In the 2 years preceding lodgment of this PDS, the directors of Trustees Australia have not received any remuneration from the Trust for services provided.

8.4 Remuneration of the directors

While Trustees Australia is the Responsible Entity of the Trust no directors' fees will be charged by Trustees Australia directors to the Trust. Once Trustees Australia retires in favour of a replacement responsible entity which is a subsidiary of the Company, the directors of the Company will be appointed as directors of that replacement responsible entity and will receive directors' fees only as directors of the Company.

Section 12.3 of the Meeting Booklet sets out the remuneration to be received by Directors for services provided as directors of the Company. The Directors will not receive any additional benefits for acting as directors of the replacement responsible entity of the Trust.

8.5 Interests of directors

Other than as set out in this PDS (including in the Meeting Booklet):

- (a) no director of Trustees Australia or the Company holds, or during the last 2 years before lodgment of this PDS with the ASIC, held, an interest in:
 - (i) the formation or promotion of the Group;
 - (ii) property acquired or proposed to be acquired by the Trust in connection with the formation or promotion of the Trust; or
 - (iii) the Stapling Issue; and
- (b) no amounts, whether in cash or other securities or otherwise, have been paid or agreed to be paid to any director of the Company or Trustees Australia as responsible entity of the Trust or any director related entity, either to induce him or her to become, or to qualify, as a director or otherwise for services rendered in connection with the formation or promotion of the Trust or the Stapling Issue.

8.6 Interests of experts and others

Other than as set out below or elsewhere in this PDS (including in the Meeting Booklet):

- (a) no person named in this PDS as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this PDS holds, or during the last 2 years before lodgment of this PDS with the ASIC, held, an interest in:
 - (i) the formation or promotion of the Group;
 - (ii) property acquired or proposed to be acquired by the Group in connection with its formation or promotion or the Stapling; or
 - (iii) the Stapling Issue; and
- (b) no amounts, whether in cash or securities or otherwise, have been paid or agreed to be paid to any such person for services rendered in connection with the formation or promotion of the Trust or the Stapling Issue.

Kings Park Corporate Lawyers has acted as solicitor to the Group in relation to the Proposal and is entitled to be paid approximately \$165,000 (exclusive of GST) in respect of these services. In addition, Kings Park Corporate Lawyers has been paid \$37,145 (inclusive of GST) for the provision of professional services to the Group in the 2 years before the date of this PDS.

Pitcher Partners has acted as an Independent Expert and is entitled to be paid \$27,500 (exclusive of GST) in respect of these services. In addition, Pitcher Partners has been paid \$3,850 (inclusive of GST) for the provision of professional services to the Group in the 2 years before the date of this PDS.

Roger Cussen has acted as an independent valuer and is entitled to be paid \$6,000 (exclusive of GST) in respect of these services. Roger Cussen has not been paid any other fees for the provision of professional services to the Group in the 2 years before the date of this PDS.

8.7 Consents of experts and others

Each of the persons referred to in this section:

- (a) has given and has not, before the date of lodgment of this PDS with ASIC withdrawn their written consent:
 - (i) to be named in the PDS in the form and context which it is named; and
 - (ii) where applicable, to the inclusion in this PDS of the statement(s) and/or reports (if any) by that person in the form and context in which it appears in this PDS;
- (b) has not caused or authorised the issue of this PDS;
- (c) has not made any statement in this PDS or any statement on which a statement in this PDS is based, other than as specified below;

- (d) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this PDS, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this PDS with the consent of that person.

Name	Role
Kings Park Corporate Lawyers	Lawyers
Pitcher Partners	Independent Expert
APA Financial Services Limited	The Company
Roger Cussen	Independent valuer

9 DIRECTORS' STATEMENT

Each Director of the Responsible Entity has consented to the lodgment of this PDS with the ASIC and has not withdrawn that consent.

This PDS is signed for and on behalf of the Responsible Entity by:



Mr Michael Hackett

Director of the Responsible Entity

1 August 2014

Corporate Directory

Directors

Mr Michael Hackett (continuing Director)
Mr Adrian Rowley (continuing Director)
Mr Graham Anderson (resigning Director)
Mr Keith Jackson (proposed Director)

Registered and Business Office

Level 1, 41 Edward Street
Brisbane, Queensland
Tel: +61 7 3020 3020
Fax: +61 7 3020 3080

Auditor*

Hayes Knight Audit (QLD) Pty Ltd
Level 19, 127 Creek Street
Brisbane QLD 4000
Tel: 07 3229 2022
Fax: 07 3229 3277
Email: email@hayesknightqld.com.au

Independent Expert

Pitcher Partners Corporate Finance Limited
Level 30, Central Plaza 1
345 Queen Street
Brisbane QLD 4000
Tel+61 7 3222 8444
Fax+61 7 3221 7779

Chief Financial Officer Company Secretary

Mr Jerome Jones

Share Registry*

Link Market Services Ltd
Level 15, 324 Queen Street
Brisbane QLD 4000
Tel: +61 7 3320 2200

Solicitors to the Proposal

Kings Park Corporate Lawyers
Level 2, 45 Richardson Street
West Perth WA 6005

Website

www.apafs.com.au

* These entities have been included for information purposes only and were not involved in the preparation of this Meeting Booklet.

APA FINANCIAL SERVICES LIMITED



Independent expert's report

7 July 2014

Financial Services Guide

7 July 2014

What is a Financial Services Guide?

This Financial Services Guide (“FSG”) provides important information to assist you in deciding whether to use our services. It includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you a FSG because you have received a report or other financial services from us.

What financial services are we licensed to provide?

We are authorised to provide general financial product advice or to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes and government debentures, stocks or bonds.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

How are we and all employees remunerated?

We will receive a fee of approximately \$25,000 exclusive of GST in relation to the preparation of this report. This fee is not contingent upon the success or otherwise of the stapling of the shares in APA Financial Services Limited (APA) and units in Australian Dairy Farms Trust (ADF Trust) and proposed capital raising.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits. We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associates and relationships

We are ultimately owned by the partners of Pitcher Partners Brisbane. Please see www.pitcher.com.au for a detailed description of the firm. Pitcher Partners or Pitcher Partners Corporate Finance Limited has not provided any previous services to APA Financial Services Limited or Australian Dairy Farms Trust or Trustees Australia Limited, other than some minor tax advice. Should the proposed stapling of shares in APA and units in ADF Trust proceed, the stapled group intends to undertake a capital raising of between \$7.5m to \$14.5m of the stapled securities. Pitcher Partners has agreed to provide an Independent Accountant’s Report to be included in the prospectus to be issued by the stapled group for this purpose, for which we will receive a fee of approximately \$15,000 exclusive of GST.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (“FOS”). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS’ contact details are also set out below.

Pitcher Partners	Financial Ombudsman Service
Complaints Office	GPO Box 3
GPO Box 1144	MELBOURNE VIC 3001
BRISBANE QLD 4001	infor@fos.org.au
	www.fos.org.au
	Tel: 1300 780 808

What compensation arrangements do we have?

Pitcher Partners and Pitcher Partners Corporate Finance Limited holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001.



7 July 2014

The Directors
APA Financial Services Limited
Level 1, 41 Edward Street
BRISBANE QLD 4000

Level 30
345 Queen Street
Brisbane
Queensland 4000

Postal Address:
GPO Box 1144
Brisbane
Queensland 4001

ABN 99 054 784 619
AFS Licence No 255516
Real Estate
Licence (QLD) No 3668087

Tel: 07 3222 8444
Fax: 07 3221 7779

www.pitcher.com.au
info@pitcherpartners.com.au

Pitcher Partners is an association of independent firms
Brisbane | Melbourne | Sydney | Perth | Adelaide | Newcastle

Dear Directors

INDEPENDENT EXPERT'S REPORT

Introduction

APA Financial Services Limited (the "Company" or "APA") is an ASX listed company which holds a small equity interest in a private company (OneVue Holdings Pty Ltd) but otherwise would be regarded as a listed 'shell'. The Company has previously announced its intention to acquire, operate and manage an aggregation of dairy farms in Victoria. The Notice of Meeting, to which this Report is attached, includes a number of resolutions which, if approved, will result in APA shareholders ("Shareholders") at Completion owning both shares in APA (which will operate and manage the farms) and units in a trust (which will own two dairy farms at Brucknell, Victoria). The shares and units are to be stapled and the Stapled Securities listed on the Australian Securities Exchange ("ASX").

APA has been working for some time with Trustees Australia Limited ("TAU") to enable the Company to undertake these transactions. TAU is an ASX listed company and a significant shareholder of APA (34.2% interest held). Michael Hackett is a director of both APA and TAU and his associated entities hold a 75% interest in TAU.

TAU is the trustee of the Australian Dairy Farms Trust (the "Trust" or "ADF Trust") which was established to purchase a dairy farm, known as Brucknell No 2 Farm, at Brucknell, Victoria in February 2013. TAU as trustee of the ADF Trust also has a contract to purchase the adjoining Brucknell No 1 Farm, subject to a proposed capital raising. The units in the ADF Trust are all beneficially owned by TAU. To date the Trust has been funded by bank debt and loans from DFIT Interim Facility Trust ("Interim Facility Trust") which TAU is the trustee and major lender.

Since 1 July 2013 the two dairy farms have operated as a single unit under a share farming agreement with a third party (related to the vendor of Brucknell No 1 Farm), expires on 30 June 2014. TAU has recently established a new subsidiary, SW Dairy Farms Pty Ltd ("SWDF"), to lease the Brucknell No 2 Farm from the Trust from 1 July 2014. At the same time SWDF will lease the Brucknell No 1 Farm from the vendor, including the farm equipment and livestock. SWDF will also acquire the livestock and farm equipment at the Brucknell No 1 Farm at Completion, which is expected to be on or around 31 August 2014, depending on completion of the proposed capital raising.

APA and/or the stapled group are proposing to undertake various transactions including:

- a capital consolidation on a 5 for 1 basis,
- enter into a Stapling Deed with TAU as trustee of the Trust to enable:
 - the redemption of the existing units in the Trust held by TAU, for a nominal consideration of \$100;
 - the issue of units in the Trust (the same number as the issued shares in APA post consolidation) to Shareholders for no consideration; and
 - the shares in APA and units in the Trust to be stapled and the Stapled Securities listed on the ASX(the "Stapling Transaction");

- to enter into an option agreement with TAU to acquire all the shares in SWDF, which can only be exercised at Completion (the “SWDF Option”);
- undertake a capital raising of between \$7.5m to \$14.5m of Stapled Securities at 20 cents each (the “Public Offer”);
- purchase the Brucknell No 1 Farm, including livestock, for approximately \$5.85m, funded by bank debt and proceeds from the Public Offer;
- repay between \$0.81m (under minimum subscription) and \$1.81m (under maximum subscription) of the loan owing to the Interim Facility Trust from the proceeds of the Public Offer; and
- to have the balance of loan owing to the Interim Facility Trust repaid through the issue of an unsecured convertible note which, at TAU’s election, can be converted (all or in part) to Stapled Securities at 20 cents each at any time up to two years from Completion (the “Convertible Note”).

The stapled group, comprising APA and ADF Trust, is hereafter referred to as the “ADF Group”.

Purpose of this report and basis of assessment

Most of the proposals summarised above are conditional on Shareholders approving each resolution. The related party transactions with TAU require approval by Shareholders who are not associated with Michael Hackett and TAU (the “Non-associated Shareholders”). These transactions are contained in Resolution 5 of the Notice of Meeting.

The Company’s independent directors have asked us to consider the related party proposals, set out in Resolution 5 of the Notice of Meeting, which we have summarised as:

- the Stapling Transaction with TAU as trustee of the ADF Trust;
- the SWDF Option with TAU; and
- the Conversion Note with TAU as trustee for the Interim Facility Trust.

(hereafter referred to as the “Proposed Transactions”).

The Proposed Transactions, if approved, can only occur at Completion which requires completion of the Public Offer (with a minimum capital raising of \$7.5m) and purchase of the Brucknell No 1 Farm (funded by a combination of debt and proceeds from the Public Offer).

The Stapling Transaction has the effect of Shareholders receiving units in the ADF Trust for no consideration. The Trust’s assets include the Brucknell No 2 Farm and the Trust’s liabilities include bank debt of \$2.25m and a loan owing to the Interim Facility Trust, which was \$3.16m at 31 March 2014. The Brucknell No 2 Farm would be regarded as a substantial asset under ASX Listing Rule 10, which prohibits an entity acquiring a substantial asset from a related party without the approval of non-associated shareholders. Although APA is not directly acquiring the units in the Trust, but arranging for Shareholders to be issued units in the Trust, the APA independent directors have, as a matter of good corporate governance, asked us to consider whether or not, in the expert’s opinion, the Stapling Transaction is “fair and reasonable” to the non-associated shareholders.

The SWDF Option when exercised (at Completion) will effectively result in the Company entering into a lease with TAU, as trustee of the Trust, over the Brucknell No 2 Farm and acquiring the related farm equipment and livestock from the Trust. The livestock to be purchased under the SWDF Option at Completion would be regarded as a substantial asset under ASX Listing Rule 10. The lease of the Brucknell No 2 Farm at Completion will be within the ADF Group and, therefore, would only provide a financial benefit to TAU from 1 July 2014 to Completion. Therefore, we have not considered the lease separately.

The Convertible Note has the effect of providing a financial benefit to TAU and other related entities of Michael Hackett, a director of APA. Under Chapter 2E of the Corporations Act the giving of a financial benefit to a related party requires approval by non-associated shareholders unless the benefit is given in terms that are reasonable in the circumstances as if the parties were dealing at arm's length. The Independent Directors have asked us to consider whether the Convertible Note is reasonable in the circumstances so that Shareholder approval is not required under Chapter 2E.

RG 111 *Content of Expert Report* indicates that when analysing related party transactions, it is important that an expert focuses on the substance of the related party transactions, rather than the legal mechanism. We note that the Proposed Transactions are inter-dependent with each proposal requiring Shareholder approval and cannot occur until the ADF Group has raised a minimum subscription of \$7.5m under the Public Offer. As such, in analysing the Proposed Transactions, we have considered the overall position of the Non-associated Shareholders after completion of all inter-dependent proposals, which follows the substance of the transactions as outlined under RG 111.

A related party transaction is 'fair' if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

A proposed transaction is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons for members to vote for the proposal.

Accordingly, we have prepared this independent expert's report to consider whether or not, in our opinion, the Proposed Transactions are fair and reasonable to the Non-associated Shareholders and setting out the reasons for that opinion. Our report will accompany the Explanatory Memorandum sent to Shareholders in respect of the General Meeting.

Summary of our opinion

In determining whether the Proposed Transactions are fair to the Non-associated Shareholders we have compared the fair value assessed for an APA Share, before the Proposed Transactions, with the estimated fair value of a Stapled Security at Completion of the Proposed Transactions and the Public Offer.

The comparison of values below is based on the fair values assessed for APA in Section 7 and for ADF Group in Section 8 as follows:

Comparison of values – APA and ADF Group valued on a net asset backing basis	Section Reference	Low	High
Fair value of an APA Share – before consolidation (cents)	7.2	1.8	2.7
Fair value of an APA Share – after 5 for 1 consolidation (cents)		9.0	13.5
Fair value of a Stapled Security – at Completion (cents)	8.2	12.2	14.9

Since the estimated value of a Stapled Security at Completion, is higher than the fair value of an APA Share before Stapling (assessed on a post share consolidation basis for comparative purposes), we consider the Proposed Transactions to be fair.

The Proposed Transactions also includes the issue of the Convertible Note to TAU, as trustee of the Interim Facility Trust, to elect to have up to \$2.4m of the balance of the loan (owing by the Trust) repaid at any time up to two years from Completion through the issue of Stapled Securities at 20 cents each. If TAU elects not to have the loan converted into Stapled Securities, the loan will become repayable in two years from Completion. Since the issue price under the Convertible Note at 20 cents each, is higher than the estimated value of a Stapled Security at Completion (being in the range of 12.2 cents to 14.9 cents), we consider the terms of the issue of the Convertible Note to be reasonable in the circumstances as if the Company and TAU were dealing at arm's length.

Notwithstanding the fairness conclusion described above, in assessing whether or not the Proposed Transactions are reasonable, we have had regard to the commercial and qualitative factors set out below, including the likely advantages and disadvantages to the Non-associated Shareholders if the Proposed Transactions are implemented, with the advantages and disadvantages to those Non-associated Shareholders if it is not. We note that individual Shareholders may interpret these factors differently depending on their specific circumstances.

Advantages

Increased share liquidity and marketability - APA's shares have had very little liquidity and, should the Company sell its interest in OneVue, the Shares could be suspended from listing until a new business is acquired. Although the Stapled Securities may not be regularly traded, the liquidity is expected to be significantly greater than the current APA's Shares.

Access to additional cash - At 31 March 2014 APA had \$71k in cash and is likely to require further capital over the next 12 months depending on the level of operating costs.

Exposure to the milk industry – The milk industry is made up of producers (which is the strategy for the ADF Group) and processors. The recent takeover bidding process for Warrnambool Cheese and Butter has underlined the global interest in Australian dairy, particularly on the processing side.

Board view - The Independent Directors have unanimously recommended the Proposed Transactions to Non-associated Shareholders, and they each intend to vote in favour of the Proposed Transactions in respect of all Shares they hold or control.

Disadvantages

Exposure to additional risks - While the Proposed Transactions will increase the diversification of the assets that Shareholders will have exposure to through the ADF Group, Shareholders will also be subject to the risks associated with the property and livestock assets.

Exposure to debt – On completion of the Public Offer and acquisition of the Brucknell No 1 Farm, ADF Group will have substantial debt and a gearing ratio (total liabilities divided by total assets) of 52% under Minimum subscription and 27% under Maximum subscription.

Debt repayment obligations – If TAU does not elect to exercise the Convertible Note, the loan owing to the Interim Facility Trust will become repayable in two years from Completion. The ability of the ADF Group to fund this obligation will depend on its capacity to raise funds (debt or equity) at that time. Furthermore, the terms and conditions in respect of the bank debt at Completion have not yet been agreed with CBA or any other bank. The TAU directors advise that the lending ratios are within CBA's lending criteria, and that they expect loan arrangements to be offered by CBA on reasonable terms, however, when finalised, the debt facility may not be on favourable terms and conditions to the ADF Group.

Other considerations

As an alternative to the Proposed Transactions proceeding, Shareholders can vote against the proposals with an expectation that a superior offer may emerge in the future. There is no evidence to suggest that Shareholders would be better off under either alternative. We have discussed with the Directors the likelihood of alternative offers emerging and we have been advised that the Directors are not aware of any alternative or superior offer.

The Stapling Transaction will result in Shareholders being issued units in the Trust for no consideration. This transaction, on a standalone basis, would not be considered fair or reasonable as the liabilities of the Trust exceed its assets, resulting in a net asset deficiency of \$633k. Furthermore, on a standalone basis, the Trust would have a significant debt obligation to both CBA and Interim Facility Trust without necessarily having the capacity to meet its funding obligations (based on the Trust's historical financial performance since acquiring the Brucknell No 2 Farm in June 2013). The Trust's net asset deficiency further deteriorates following the acquisition of the Brucknell No 1 Farm. The independent valuation of the combined dairy farms was assessed at approximately \$8m, compared to the carrying value of the two properties (post acquisition of the Brucknell No 1 Farm) at approximately \$8.9m. The write down of the properties to reflect their market value at Completion (and as reflected in the proforma balance sheet of the ADF Group presented in Section 5.1 of this Report) would result in a further deterioration of the Trust's net asset deficiency by approximately \$0.8m.

In analysing the Proposed Transactions we have not considered the Stapling Transaction on a standalone basis but after completion of all the inter-dependent proposals in line with the substance of the overall proposals. The assessed value of a Stapled Security at Completion, at 12.2 cents to 14.9 cents, is impacted by the Public Offer which is based on an issue price of 20 cents per Stapled Security.

The estimated value of a Stapled Security at Completion is higher than the assessed fair value of an APA Share after the share consolidation, but not significantly. The fair value of an APA Share was based on the Company's net assets on a going concern basis. We also highlight that if Shareholders do not approve the current proposals, and the search for a business acquisition is not successful, the alternative may be liquidation. On this basis, Shareholders are likely to receive significantly less than our assessed value of an APA Share of 9 cents to 13.5 cents (post consolidation).

Limitations

This report has been prepared specifically for the Non-associated Shareholders in their consideration of the Proposed Transactions. Neither Pitcher Partners CF, Pitcher Partners, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-associated Shareholders, in respect of this report, including any errors or omissions however caused.

This independent expert's report constitutes general financial product advice only and has been prepared without taking into consideration the individual circumstances of the Non-associated Shareholders. The decision as to whether to approve or not to approve the Proposed Transactions is a matter for individual Shareholders. Non-associated Shareholders should have regard to the Notice of Meeting and Explanatory Memorandum prepared by the directors and management of APA. Shareholders who are in doubt as to the action they should take in relation to the Proposed Transactions should consult their own professional adviser.

Our opinion is expressed as at the date of this report and reflects circumstances and conditions as at that date. This letter must be read in conjunction with the full independent expert's report as attached.

Our Financial Services Guide ("FSG"), in accordance with the Act, is included at the beginning of this report.

A glossary of terms used throughout this report is set out in Appendix A.

Yours faithfully

PITCHER PARTNERS CORPORATE FINANCE LIMITED



Ross Walker
Director and Representative

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1. PROPOSED TRANSACTIONS

1.1. Background

APA Financial Services Limited (the “Company” or “APA”) does not currently have any significant operations and would generally be regarded as a listed “shell”. In November 2012 APA first announced its plans to seek shareholder approval to change the scale and nature of its business activities to aggregate and operate dairy farms in Victoria. APA has subsequently provided a number of market updates regarding the status of this project. A Notice of Meeting (accompanying this Report) is being sent to APA shareholders (“Shareholders”) to seek approval for the required changes to proceed with the proposed restructure and capital raising.

It is intended that the Company undertake a share consolidation and the shares be stapled to units in the Australian Dairy Farms Trust (“ADF Trust” or the “Trust”) and the Stapled Securities be listed on the Australian Securities Exchange (“ASX”). ADF Trust will hold the property assets and the Company will carry out the farm operations. The stapled group, comprising APA and ADF Trust is referred to as the “ADF Group”.

The first stage is to obtain Shareholder approval to change the nature and scale of the Company’s activities, to staple the Shares and Units and to undertake a capital raising of between \$7.5m (“Minimum”) and \$14.5m (“Maximum”) through the issue of Stapled Securities at an issue price of 20 cents each (“Public Offer”).

The Trust was established in February 2013 as a wholly owned subsidiary of Trustees Australia Limited (“TAU”), which also acts as its trustee. TAU also holds a 34.2% interest in APA and has a common director in Michael Hackett. TAU always intended that the Trust would become a widely held property trust in a proposed dairy farm aggregation through a public capital raising to be undertaken by APA. In June 2013 the Trust acquired the dairy farm at 417 Moreys Road, Brucknell (referred to as “Brucknell No 2 Farm”) for \$4.1m.

In October 2013 TAU, as trustee of the Trust, entered into a contract to purchase an adjoining dairy farm at 463 Moreys Road, Brucknell (referred to as “Brucknell No 1 Farm”) for approximately \$4.4m. The purchase contract remains conditional on completion of a proposed capital raising. In conjunction with the purchase of the Brucknell No 1 Farm, there is a separate contract with a wholly owned subsidiary of APA and the vendor to purchase the livestock (at market value, estimated at \$1m) and farm equipment (\$150k) at the Brucknell No 1 Farm. This contract is to be assigned to SW Dairy Farms Pty Ltd (“SWDF”), a wholly owned subsidiary of TAU. It is intended that, at Completion, SWDF will be acquired by APA.

Since 1 July 2013 the two dairy farms have operated as a single unit under a share farming agreement with a third party (related to the vendor of the Brucknell No 1 Farm), which expires on 30 June 2014. It is proposed that SWDF will lease both dairy farms from 1 July 2014, Brucknell No 2 Farm from the Trust and Brucknell No 1 Farm from the vendors up until Completion. SWDF will also enter into a licence agreement to utilise the farm plant and livestock on both properties from 1 July 2014 and will also hold an option to purchase the farm equipment and livestock at Brucknell No 2 Farm from the Trust at Completion. It is intended that APA, as part of the proposed transactions, will acquire all the issued shares in SWDF from TAU at Completion. This arrangement is so that post Completion SWDF will manage and operate the dairy farms (as a wholly owned subsidiary of APA), and the Trust will own the properties (with an underlying lease to SWDF).

The Trust has been funded to date by bank debt of \$2.25m and related party loans of \$3.16m (as at 31 March 2014) from TAU as trustee of the DFIT Interim Facility Trust (“Interim Facility Trust”). At Completion the proceeds from the Public Offer will also be used to fund the repayment of between \$0.81m and \$1.81m (depending on the amount of funds raised) to Interim Facility Trust, which to date has been funded by TAU and other related entities of Michael Hackett. Mr Hackett is a director of both APA and TAU and his associated entities hold a substantial interest (approximately 75%) in the issued capital of TAU.

1.2. Proposed Transactions

Shareholders will be asked to approve the following proposals, as set out in the Notice of Meeting:

- | | | |
|------------------|---|--|
| Resolution 1 | - | Change to nature and scale of activities. |
| Resolution 2 | - | Change of Company name to Australian Dairy Farms Limited. |
| Resolution 3 | - | Adoption of new constitution. |
| Resolution 4 | - | Consolidation of capital (1 Share for every 5 Shares Held) and Stapling. |
| Resolution 5 | - | Trustees Australia Transaction (see below). |
| Resolution 6 | - | Election of Keith Jackson as a new director. |
| Resolution 7 | - | Issue of Stapled Securities under the Public Offer. |
| Resolutions 8-10 | - | Issue of Stapled Securities as payment of outstanding directors’ fees. |
| Resolution 11 | - | Approval of increase in directors fees. |
| Resolution 12 | - | Long term incentive plan. |

Resolutions 1-7 are inter-dependent on each other. Resolutions 8-12 are dependent on the approval of Resolutions 1-7. Resolution 5 requires approval by Shareholders who are not associated with Michael Hackett and TAU, (hereafter referred to as the “Non-associated Shareholders”).

Resolution 5, “Trustees Australia Transaction”, is for Non-associated Shareholders to approve the proposed transactions between APA and TAU and the Interim Facility Trust. Both TAU and Interim Facility Trust are associated with Michael Hackett, a director of APA. As such, these transactions involve dealings with a related party and providing a benefit to a related party. The Trustees Australia Transaction, if approved, can only occur at Completion which requires completion of the Public Offer (with a minimum capital raising of \$7.5m) and purchase of the Brucknell No 1 Farm (funded by debt and proceeds from the Public Offer).

In summary, the Trustees Australia Transaction is to allow APA and/or the ADF Group to undertake the following:

- enter into a Stapling Deed with TAU as trustee of the Trust to enable:
 - the redemption of the existing units in the Trust held by TAU, for a nominal consideration of \$100;
 - the issue of units in the Trust (the same number as the issued shares in APA post consolidation) to Shareholders for no consideration; and
 - the shares in APA and units in the Trust to be stapled and the Stapled Securities listed on the ASX;(the “Stapling Transaction”)
- to exercise an option agreement to acquire all the shares in SWDF from TAU, to be exercised at Completion (the “SWDF Option”), and
- to have the balance of the loan owing to the Interim Facility Trust repaid through the issue of an unsecured convertible note which, at TAU’s election, can be converted (all or in part) to Stapled Securities at 20 cents each at any time up to two years from Completion (the “Convertible Note”).

The Independent Directors (directors of APA other than Michael Hackett) have asked us to consider the Stapling Transaction with TAU as trustee of the ADF Trust and Resolution 5 of the Notice of Meeting, which comprises:

- the SWDF Option with TAU; and
- the Conversion Note with TAU as trustee for the Interim Facility Trust.

(hereafter referred to as the “Proposed Transactions”).

1.3. Regulatory Requirements

ASX Listing Rules

ASX Listing Rule 10.1 prohibits an entity from acquiring a substantial asset from, or disposing of a substantial asset, to a related party without the approval of holders of the entity’s ordinary securities who are entitled to vote on the matter (i.e. the non-associated shareholders). ASX Listing Rule 10.1.4 extends this requirement to associates of a related party (as defined). A substantial asset is defined by ASX Listing Rule 10.2 as an asset with a value of 5% or more of the equity interests in the listed entity.

The Stapling Transaction has the effect of Shareholders receiving units in the ADF Trust for no consideration. The Trust’s assets include the Brucknell No 2 Farm and the Trust’s liabilities include bank debt of \$2.25m and a loan owing to the Interim Facility Trust, which was \$3.16m at 31 March 2014. The Brucknell No 2 Farm would be regarded as a substantial asset under ASX Listing Rule 10, which prohibits an entity acquiring a substantial asset from a related party without the approval of non-associated shareholders. Although APA is not directly acquiring the units in the Trust, but arranging for Shareholders to be issued units in the Trust, the Independent Directors have, as a matter of good corporate governance, asked us to consider the Stapling Transaction as if the Company was acquiring the units in the Trust from a related party. ASX Listing Rule 10.10.2 requires the notice of meeting to be accompanied by a report on the transaction from an independent expert stating whether or not, in the expert’s opinion, the proposed transaction is “fair and reasonable” to the non-associated shareholders.

The SWDF Option when exercised (at Completion) will effectively result in the Company acquiring the farm equipment and livestock held at the Brucknell No 2 Farm from TAU as trustee of the Trust and entering into a lease over Brucknell No 2 Farm. The livestock to be purchased on exercise of the SWDF Option would be regarded as a substantial asset under ASX Listing Rule 10.

Where approval is being sought under ASX Listing Rule 10.1, ASX Listing Rule 10.10.2 states that the notice of meeting must be accompanied by a report on the transaction from an independent expert stating whether or not, in the expert’s opinion, the Proposed Transactions are “fair and reasonable” to the Non-associated Shareholders.

Corporations Act

Under Chapter 2E of the Corporations Act (“Chapter 2E”) the giving of a financial benefit to a related party (as defined) is prohibited, except in certain circumstances, including:

- approval by shareholders other than any related party who would obtain a financial benefit or any associate of such person (i.e. the non-associated shareholders); or
- the arrangement is on arm’s length terms (or less favourable to the related party than arm’s length terms).

Section 228 of the Corporations Act (the “Act”) defines a “related party” of a public company. Michael Hackett and entities associated with Michael Hackett, including TAU, ADF Trust and Interim Facility Trust, would be regarded as related parties of APA under Section 228 of the Act.

The SWDF Option when exercised will also effectively result in the Company entering into a lease with TAU, as trustee of the Trust, over the Brucknell No 2 Farm at Completion. The lease of the Brucknell No 2 Farm at Completion will be within the ADF Group and, therefore, would only provide a financial benefit to TAU from 1 July 2014 to Completion. Therefore, we have not considered the lease separately.

The Convertible Note has the effect of providing a financial benefit to TAU and other related entities of Michael Hackett, a director of APA. Under Chapter 2E of the Corporations Act the giving of a financial benefit to a related party requires approval by non-associated shareholders, unless the benefit is given in terms that are reasonable in the circumstances as if the parties were dealing at arm’s length. The Independent Directors have asked us to consider whether the Convertible Note is reasonable in the circumstances so that Shareholder approval is not required under Chapter 2E.

There is no express requirement in Chapter 2E of the Act for an independent expert’s report in relation to the related party aspects of the Proposed Transactions. However, RG 76 issued by ASIC indicates that meeting materials provided to shareholders must provide sufficient information to enable them to decide whether or not the financial benefit to be given to the related party is in the interests of the company.

1.4. Role of Pitcher Partners CF

The Independent Directors of APA have requested Pitcher Partners CF to provide an independent expert’s report in relation to the Proposed Transactions to satisfy the various information requirements outlined above and to set out an opinion as to whether or not the Proposed Transactions are “fair” and “reasonable” (as those terms are defined in RG 111) to the Non-associated Shareholders as a whole, to assist Non-associated Shareholders in considering whether to vote to approve Resolution 5.

2. PURPOSE AND SCOPE

2.1. Purpose

This Report has been prepared at the request of, and for the benefit of, the Independent Directors and for the benefit of Non-associated Shareholders and to assist the Independent Directors in fulfilling their obligation to provide Shareholders with full and proper disclosure to enable them to assess the merits of the Proposed Transactions and to decide whether to agree to Resolution 5 set out in the Notice of Meeting. This Report is to accompany the Notice of Meeting, Explanatory Memorandum and Product Disclosure Statement (the “Documents”) to be provided to Shareholders.

This Report was not prepared for any other purpose or for use by any other person. Pitcher Partners CF does not accept any responsibility to any person other than the Independent Directors and Non-associated Shareholders or for the use of the Report outside the stated purpose without the written consent of Pitcher Partners CF. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

Pitcher Partners CF has provided its consent to the Report accompanying the Documents and for the Report to appear (by reference) in the Product Disclosure Statement that will be included with the Notice of Meeting. Apart from the Report, Pitcher Partners CF is not responsible for the contents of the Documents, or any other document or announcement associated with the Proposed Transactions. Pitcher Partners CF acknowledges that its Report may be lodged with regulatory bodies.

Approval or rejection of the Proposed Transactions is a matter for individual Non-associated Shareholders based on their expectations as to various factors including the value and future prospects of APA, the Trust and ADF Group, the terms of the Proposed Transactions, market conditions and their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Non-associated Shareholders should carefully consider the Documents. Non-associated Shareholders who are in doubt as to the action they should take in relation to the Proposed Transactions, should consult their professional adviser.

2.2. Scope

The scope of the procedures we undertook in forming our opinions was limited to those procedures we believe are required in order to form our opinion. In preparing the Report, Pitcher Partners CF procedures may have involved an analysis of financial information and accounting records. This did not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

Appendix B identifies the information referred to, and relied upon, by Pitcher Partners CF during the course of preparing this Report and forming our opinion. The information provided has been evaluated through analysis, inquiry and review for the purpose of forming our opinion.

2.3. Reliance on Information

This Report relies upon information provided by APA and TAU and the assumptions that we were asked to make (or are necessary to make). Information provided was accepted in good faith. Pitcher Partners CF does not assume any responsibility for, and does not make any representation with respect to, the accuracy or completeness of any information provided during the course of the engagement.

The statements and opinions contained in this Report are given in good faith and are based upon Pitcher Partners CF consideration and assessment of information provided by APA and TAU. Pitcher Partners CF believes the information provided to be reliable, complete and not misleading, and we have no reason to believe that any material facts have been withheld.

It was not Pitcher Partner CF's role to undertake, and Pitcher Partners CF has not undertaken, any commercial, technical, financial, legal, taxation or other due diligence, or other similar investigative activities in respect of the Proposed Transactions. Pitcher Partners CF understands that APA directors have been advised by legal, accounting and other appropriate advisers in relation to such matters, as necessary.

Pitcher Partners CF does not provide any warranty or guarantee as to the existence, extent adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by APA directors and/or their advisers.

An opinion as to whether a corporate transaction is "fair" and/or "reasonable" is in the nature of an overall opinion, rather than an audit of detailed investigation and it is in this context that Pitcher Partners CF advises that it is not in a position, nor is it practical for Pitcher Partners CF, to undertake a detailed investigation or extensive verification exercise.

It is understood that, except where noted, the accounting information provided to Pitcher Partners CF was prepared in accordance with generally accepted accounting principles and prepared in a manner consistent with the method of accounting used by APA in previous accounting periods.

In accordance with normal practice, prior to finalising the Report, we confirmed facts with APA. This was undertaken by means of providing APA with a draft report. Pitcher Partners CF obtained a representation letter from APA confirming that, to the best knowledge of APA, the information provided to, and relied upon by Pitcher Partners CF was complete and accurate, and that no significant information essential to the Report was withheld.

APA agreed to indemnify Pitcher Partners CF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided by Pitcher Partners CF by APA, which is false and misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

2.4. Valuation

Fair Value

The assessment of whether the Proposed Transactions are "fair" and "reasonable" necessarily involves determining the "fair value" of various securities, assets and interests.

For the purposes of our opinion, the term “fair value” is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser, and a knowledgeable, willing, but not anxious vendor, acting at arm’s length.

By its very nature, the formulation of a valuation assessment necessarily contains significant uncertainties and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgement. Therefore, there is no indisputable value and we normally express our valuation opinion as falling within a likely range.

Reliance on Property Valuation Expert and Livestock Appraisal

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist Pitcher Partners CF in the valuation of the Trust’s property assets, APA engaged Roger Cussen, a property valuation specialist in Warrnambool Victoria, to prepare an independent property valuation in respect of both the Brucknell No 2 Farm (owned by ADF Trust) and the combined dairy farms following acquisition of the Brucknell No 1 Farm at Completion (post Stapling and Public Offer).

We have satisfied ourselves as to Roger Cussen’s qualifications and independence from APA, TAU and associated parties and have placed reliance on his report. The valuation methodologies adopted by Roger Cussen are outlined in his reports attached as Appendix D (Brucknell No 2 Farm) and Appendix E (combined dairy farms).

Special value

We have not considered special value in forming our opinion as to whether the Proposed Transactions are “fair”. Special value is the amount that a potential acquirer may be prepared to pay for an asset in excess of the fair value. This premium represents the value to the particular potential acquirer of various factors that may include potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of fair value as it relates to the individual circumstances of special purchasers.

Current Market Conditions

Our opinion is based on market and other conditions prevailing at the Valuation Date. Such conditions can change significantly over relatively short periods of time. Changes in those conditions may result in any valuation or other opinion becoming quickly out dated and in need of revision. Pitcher Partners CF reserves the right to revise any valuation or other opinion in the light of material information existing at the valuation date that subsequently becomes known to Pitcher Partners CF.

2.5. Assumptions

In forming our opinion, we made certain assumptions, including the following:

- other than as publicly disclosed, all relevant parties have complied, and will continue to comply, with all applicable laws and regulations and existing contracts are in good standing, and will remain so and there is no alleged or actual material breach of the same or dispute in relation thereto (including, but not limited to, legal proceedings), and that there has been no formal or informal indication that any relevant party wishes to terminate or materially renegotiate any aspect of any existing contract, agreement or material understanding;
- that matters such as retention of key personnel and ownership of assets are in good standing, and will remain so;

- any public information used in relation to APA and TAU and any other publicly available information relied on by us, is accurate and not misleading and up to date;
- information in relation to the Proposed Transactions that is distributed to Shareholders, or any information issued by a statutory body is complete, accurate and fairly presented in all material respects;
- the legal mechanisms proposed to implement the Proposed Transactions are valid and effective; and
- if the Proposed Transactions are implemented, it will be implemented in accordance with the draft transaction documents provided to us.

2.6. Basis of Assessment

In preparing this Report we considered the Regulatory Guides issued by ASIC and in particular, RG 76 and RG 111.

RG 111 indicates that when analysing related party transactions, it is important that an expert focuses on the substance of the related party transaction(s), rather than the legal mechanism. For example, where a related party transaction is made up of a number of separate components, the expert should consider the overall effect of the related party transaction(s).

We note that a number of the proposals are inter-dependent on each proposal being approved by Shareholders, as highlighted in Section 1.2 of this Report. Furthermore, the Proposed Transactions are dependent on ADF Group raising a minimum subscription of \$7.5m. As such, in analysing the Proposed Transactions, we have considered the position of the Non-associated Shareholders after completion of all the inter-dependent proposals, which follows the substance of the transactions as provided under RG 111.

Generally, ASIC expects an expert to express an opinion on whether the transaction is ‘fair and reasonable’ from the perspective of non-associated members. This analysis is specifically required where the report is also intended to accompany meeting materials for member approval of an asset acquisition or disposal under ASX Listing Rule 10.1. In this context, there should be a separate assessment of whether the transaction is ‘fair’ and ‘reasonable’, as discussed below.

A proposed related party transaction is ‘fair’ if the value of the financial benefit to be provided by the entity to the related party is equal to or less than the value of the consideration being provided to the entity. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm’s length.

Under RG 111, a proposed transaction will be “reasonable” if it is “fair”. It may also be “reasonable” if, despite being “not fair”, there are sufficient reasons for non-associated shareholders to approve the proposed transaction in the absence of any better opportunities at the time of voting.

Having regard to the factors listed by ASIC in RG 111.16, we considered the following factors in assessing the reasonableness of the Proposed Transactions (a) and (b) above:

- the value of a APA Share prior to the Proposed Transactions compared to the value of the value of a Stapled Security at Completion;
- the liquidity of the market in APA’s securities;
- cash flow or other benefits of the Proposed Transactions;
- the likelihood of an alternative offering being made to Shareholders.

3. PROFILE OF APA

3.1. Background

APA was established in 1992 to provide an investment portfolio administration service. The Company developed a portfolio administration software platform employed by financial advisory and accounting firms. In June 2006 APA undertook an initial public offering to raise \$6m through the issue of 12m shares at 50 cents each. The proceeds from the capital raising were applied to enhance the technology and fund marketing strategies to grow the level of funds under management tied to the software platform.

In November 2008 APA announced that, through a series of contractual agreements, the Company and OneVue Holdings Pty Ltd (“OneVue”) had assumed joint control of the operations of Australian Portfolio Administrators Pty Ltd (“APAPL”, a subsidiary of APA) which operated the platform business. As a result APA recorded a \$3.5m impairment charge against intangible assets. In December 2009 APA disposed of all its shareholding in APAPL for \$247k plus a 3% interest (1,883,500 shares) in OneVue. The shareholding in OneVue was initially assessed at a value of \$0.5m.

Since then APA has had no significant revenue. The Company has incurred administration and professional costs to keep operating and maintain its ASX listing status. There has been no significant capital raisings undertaken since January 2010 when APA raised \$257k through the issue of 17.1m shares at 1.5 cents each, pursuant to a rights issue and entitlement offer. The Company’s only remaining significant asset is the shareholding in OneVue – see section 3.3 (i) below.

3.2. Announcements of proposed aggregation of dairy farms

In November 2012 APA first announced its intention to acquire, operate and manage a planned aggregation of dairy farms in Victoria and Tasmania. The Company indicated that the dairy industry in Australia, particularly in Victoria and Tasmania, presents an attractive opportunity to aggregate numerous existing farms when prices are at cyclical lows, to provide increased efficiencies in operations and farm management and in the marketing and pricing of the milk products. At the time, the transaction was conditional on a number of factors, including Shareholder approval, with the intention to acquire the properties in a separate unlisted, widely-held trust.

In February 2013 the ADF Trust was established as the intended property holding entity by TAU, who is also the trustee. In March 2013 the Trust entered into a contract to acquire the Brucknell No 2 Farm. The final structure of the trust entity had not been determined. In May 2013 APA announced another proposed change in the structure whereby Kestrel Capital would endeavour to establish and capitalise a wholesale investment trust to acquire the dairy farms which would then be leased to APA.

In November 2013 APA and TAU together announced a further update of the dairy project indicating that the proposed structure would be a single listed stapled security comprising a property trust (ADF Trust) and an operating company (APA) which would have their respective securities stapled together for ASX listing.

In February 2014 both APA and TAU announced that a notice of meeting would be circulated to Shareholders to seek approval to proceed with a process for restructure and capital raising. This announcement was in conjunction with the release of both companies Interim Financial Report (for the December 2013 half year) which also included an update on the dairy farm aggregation proposal and the intended stapling of the Shares and Units.

3.3. Financial position

Set out below is a summary of APA's balance sheet as at 30 June 2013 (audited) and 31 March 2014 (unaudited).

\$'000	Notes (below)	Jun-13	Mar-14
Assets			
Cash and cash equivalents		157	71
Other current assets		39	23
Investment in OneVue	(i)	527	725
		724	819
Liabilities			
Trade and other payables	(ii)	(14)	(201)
Net assets		710	618
Equity			
Contributed equity	(iii)	7,866	7,866
Reserves		-	198
Accumulated losses		(7156)	(7,446)
Total equity		710	618

Notes to APA's Financial Position

- (i) *Investment in OneVue* - In December 2009 APA received 1,883,500 shares in OneVue as part consideration for the sale of its shareholding in APAPL, as noted in Section 3.1. APA subsequently participated in a 1 for 10 rights issue (in November 2011) resulting in the issue of a further 188,350 shares in OneVue at a cost of \$56,505 or 30 cents per share.

At the half year ended 31 December 2013 the Directors assessed the fair value of APA's 2,071,850 shares in OneVue at 26.2 cents per share or \$542,825 based on the issue price in respect of an \$8m pre-IPO capital raising. The March 2014 management accounts reflect an increase in APA's investment in OneVue, from 26.2 cents to 35 cents per share, based on the issue price of a OneVue share as set out in its IPO prospectus dated 23 June 2014. The IPO prospectus is to raise between \$12 million (minimum subscription) to \$15 million (maximum subscription) by the issue of shares at 35 cents each. The indicative market capitalisation of OneVue at the offer price (35 cents each) on completion will be approximately \$51.9 million (minimum subscription) to \$54.9 million (maximum subscription). On this basis APA's interest in OneVue, after completion of OneVue's capital raising, will range between 1.3% and 1.4%.

- (ii) *Accrued directors' fees* - An adjustment has been made for unpaid directors' fees owing to Michael Hackett (\$75k for 5 years to June 2014 at \$15k per year as Chairman), Adrian Rowley (\$30k for 3 years to June 2014 at \$10k per year) and Graham Anderson (\$50k for 5 years to June 2014 at \$10k per year). As part of the proposals, unpaid directors' fees of \$155k are to be paid by the issue of Stapled Securities – see Section 5.1 (iii) of this Report.

(iii) *Movement in issued capital in APA* - The following summarises the movement in APA's share capital since 2006 following the IPO:

		No of Shares (<i>'000</i>)	Issue price (cents)	Issued Capital (\$ <i>'000</i>)
Pre Jun-06	Pre-IPO following share split	16,000	6.7c	1,068
Jun-06	Pursuant to the IPO prospectus, net of issue costs	12,000	50c	5,438
Sep-08	Pursuant to an entitlement offer	10,137	10c	1,014
Jun-09	As part repayment of TAU loan	5,720	1.5c	86
Jan-10	Pursuant to an entitlement offer	17,130	1.5c	257
Mar-14	Balance	<u>60,987</u>		<u>7,866</u>

3.4. Major Shareholders

The major shareholders in APA at the date of this report are summarised below.

Shareholder	Director Related	No. of shares (<i>'000</i>)	%
Trustees Australia Limited & associates	Michael Hackett	20,870	34.2%
Rowley Super Fund Pty Ltd & associates	Adrian Rowley	8,350	12.6%
Graham Anderson & associates	Graham Anderson	5,470	8.7%
DL Systems Pty Ltd		4,668	7.6%
Total		<u>39,358</u>	<u>63.1%</u>
Other shareholders		21,629	36.9%
Total shareholders		<u>60,987</u>	<u>100.0%</u>

Source: 2013 Annual Report

As shown above, TAU owns 20.87m shares (34.2%) in APA. The majority of these shares were received on conversion of a loan provided by TAU to APA in May 2009. The initial loan of \$260k, together with accrued interest, was repaid as follows:

- In June 2009 \$85,800 was repaid by the issue of 5.72m shares at 1.5 cents per share.
- In January 2010 \$200,000 was repaid by the issue of 13.333m shares at 1.5 cents per share pursuant to an underwriting agreement in respect of an entitlement offer.

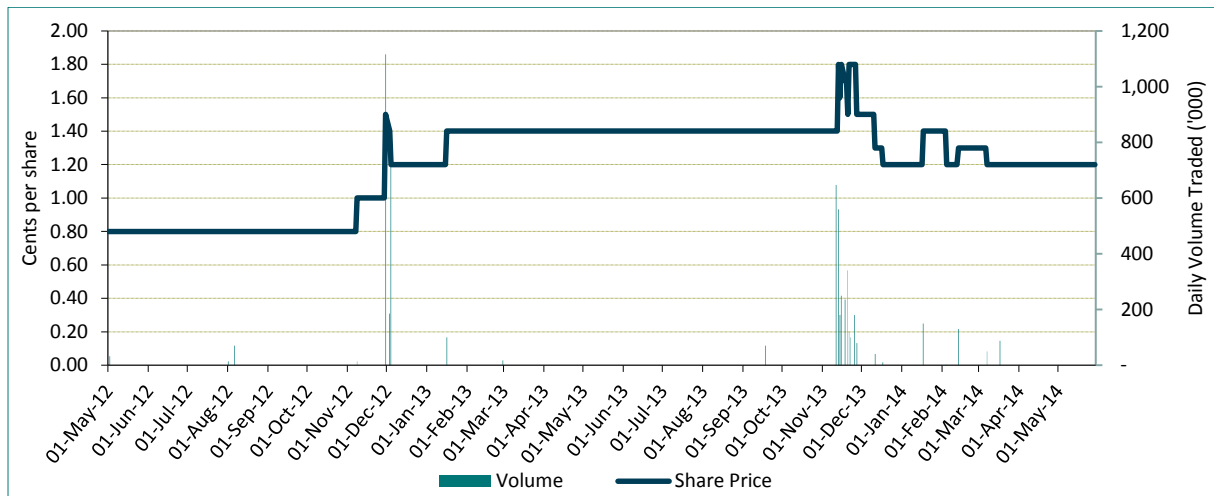
3.5. Share price analysis

The table below summarises the monthly share price range, volume and liquidity in APA shares on the ASX over the past two years.

Quarter Ended	Share Price		Volume traded (<i>'000</i> 's)	% of total shares traded
	High Cents	Low Cents		
Jun-12	0.8	0.8	116	0.2%
Sep-12	1.5	0.8	1,213	2.0%
Dec-12	1.5	0.8	2,183	3.5%
Mar-13	1.4	1.4	18	0.0%
Jun-13	1.4	1.4	-	0.0%
Sep-13	1.8	1.4	2,763	4.4%
Dec-13	1.8	1.2	3,025	4.9%
Mar-14	1.4	1.2	319	0.5%

The chart below shows the daily share price and trading volumes on the ASX for APA over the past two years.

APA share price trading history



The above graph shows that APA share price has traded relatively consistently between 1 cent and 1.5 cents from December 2012 to June 2014.

3.6. Financial performance

Set out below is a summary of APA's financial performance for the years ended 30 June 2012 and 2013 and 9 months ended 31 March 2014.

\$'000	FY12	FY13	Mar-14 (9 mths)
Revenue			
IPR transaction costs recovered	-	79	-
Interest received	17	6	2
	17	85	2
Expenses			
IPR transaction costs	-	(79)	-
Administration costs	(34)	(43)	(50)
Professional costs	(30)	(64)	(82)
Directors' fees	-	-	(155)
	(47)	(101)	(289)
Loss before income tax	(47)	(101)	(289)
Income tax expense	-	-	-
	(47)	(101)	(289)
Net Loss	(47)	(101)	(289)

In FY13 APA considered a transaction with Indian Pacific Resources Limited ("IPR") which, had it proceeded, would have resulted in a reverse takeover. The discussions were subsequently terminated and APA recovered its costs incurred in considering the proposal.

The Company has no significant operations other than its shareholding in OneVue. Cost increases are largely attributable to legal and consulting costs associated with the proposed dairy aggregation. At March 2014 APA accrued directors' fees of \$155k dating back 5 years – see Section 3.3 (ii) of this Report.

4. PROFILE OF THE ADF TRUST

4.1. Background

The Trust was established in February 2013 with TAU appointed as trustee. TAU was issued 190 units (95% interest) in the Trust and APA holds 10 units (5%) as nominee for TAU. TAU holds a 34.2% interest in APA and has a common director in Michael Hackett. It was intended that the Trust would become a widely held property holding entity in a proposed dairy farm aggregation project and public offer capital raising to be undertaken by APA. The proposals to be put to Shareholders as summarised in Section 1.2 of this Report are consistent with this intention.

In June 2013 TAU, as trustee for the Trust, acquired the Brucknell No 2 Farm for \$4.34m, including acquisition costs. The purchase was funded by a limited recourse loan of \$2.25m from Commonwealth Bank of Australia (“CBA”) and the balance by the Interim Facility Trust. The CBA loan matured on 14 June 2014 and has been refinanced on a month to month basis until Completion. The loan is secured by a first registered mortgage over the Brucknell No 2 Farm.

The loan provided by the Interim Facility Trust (\$3.16m at 31 March 2014) also matured on 14 June 2014 and has been extended on a month to month basis until Completion. The loan is secured by a second registered mortgage over the Brucknell No 2 Farm. The Interim Facility Trust has been funded by TAU and related entities of Michael Hackett, a director of both TAU and APA. We understand that it was always intended that the loan provided by the Interim Facility Trust would be repaid (partly or in full) from the proceeds of a capital raising. The amount of the loan is expected to be approximately \$3.4m at Completion (at around the end of August 2014) with additional advances being required to fund development works and working capital.

In October 2013 TAU, as trustee for the Trust, entered into a contract to purchase the Brucknell No 1 Farm, which is conditional on completion of a capital raising. The acquisition of Brucknell No 1 Farm is to be funded by a combination of bank debt and proceeds from the Public Offer, depending on the amount of funds raised. At Completion the additional bank debt to be borrowed to fund the purchase of Brucknell No 1 Farm is expected to be \$1.75m, under the Minimum capital raising, and \$0.75m under the Maximum. TAU, as trustee of the Trust, has not yet finalised negotiations with CBA for the bank debt to complete the acquisition of the Brucknell No 1 Farm. The TAU directors have advised that they expect to do so on reasonable terms and conditions. If approval is not received, the Proposed Transactions will either need to be amended or will not be completed.

4.2. SWDF

In conjunction with the purchase of the Brucknell No 1 Farm, there is a separate contract between a wholly owned subsidiary of APA and the vendor to purchase the livestock (at market value, estimated at \$1m) and farm equipment (\$150k) at the Brucknell No 1 Farm. This contract has been assigned to SWDF and will be exercised at Completion.

Since 1 July 2013 the two dairy farms have operated as a single unit under a share farming agreement with a third party (related to the vendor of the Brucknell No 1 Farm), which expires on 30 June 2014. It is proposed that SWDF will lease both dairy farms with effect from 1 July 2014, Brucknell No 2 Farm from the Trust and Brucknell No 1 Farm from the vendors up until Completion. SWDF will also enter into a licence agreement to utilise the farm plant and livestock on both properties from 1 July 2014 and will also hold an option to purchase the farm equipment and livestock at Brucknell No 2 Farm from the Trust, which will be exercised at Completion.

4.3. Financial Position

Set out below is a summary of the Trust's assets and liabilities as at 31 March 2014 (unaudited).

\$'000	Notes (below)	Mar-14	Adjustments	Adjusted Mar-14
Current Assets				
Cash and cash equivalents		15	-	15
Receivable	(i)	117	-	117
Other		19	-	19
		<u>151</u>	<u>-</u>	<u>151</u>
Non-Current Assets				
Livestock – dairy cattle at cost	(ii)	493	147	640
Plant and equipment		111	-	111
Investment property – Brucknell No 2 Farm	(iii)	4,612	(409)	4,203
		<u>5,216</u>	<u>262</u>	<u>4,954</u>
Total assets		<u>5,367</u>	<u>262</u>	<u>5,105</u>
Current Liabilities				
Trade and other payables	(iv)	178	150	328
Loan - CBA		2,250	-	2,250
- Interim Facility Trust		3,160	-	3,160
Total liabilities		<u>5,588</u>	<u>150</u>	<u>5,738</u>
Net asset/(deficiency)		<u>(221)</u>	<u>(412)</u>	<u>(633)</u>

Notes to assets and liabilities:

- (i) *Receivable* – The Trust is owed \$117k by an entity associated with the vendor of the Brucknell No 1 Farm. As part of the Proposed Transactions, TAU will provide a guarantee over the recoverability of this receivable.
- (ii) *Livestock* – Livestock held at the Brucknell No 2 Farm (approximately 400 mixed aged dairy cattle) is recorded at cost and, has been adjusted to fair value based on the market value appraisal undertaken by APA management. The market appraisal was based on an independent assessment of the livestock value provided by an independent livestock agent in May 2014.
- (iii) *Investment property* – The Brucknell No 2 Farm has been recorded by TAU as an investment property on the basis that the property is not used in its own operations. The adjustment is to recognise the independent valuation of the Brucknell No 2 Farm, after completion of improvements, as assessed by Roger Cussen at \$4.203m – see Section 4.4 and Appendix D.
- (iv) *Development costs* – A further \$150k of costs to complete improvements currently in progress at the Brucknell No 2 Farm has been included in the proforma adjustments.

4.4. Financial Performance

Set out below is a summary of the Trust's financial performance since incorporation (in February 2013) to 31 March 2014. The Trust effectively commenced operating from mid-June 2013 after settlement of the Brucknell No 2 Farm.

	Mar-14 \$'000
Revenue	
Share of profit – per Share Farming Agreement	54
Other income - insurance recovery	23
	<u>77</u>
Expenses	
Finance costs - CBA loan	(123)
- Interim Facility Trust loan	(115)
Other	<u>(60)</u>
Loss before income tax	(221)
Income tax expense	<u>-</u>
Net Loss	<u>(221)</u>

As shown above the Trust has incurred losses to date which have been funded by loans from the Interim Facility Trust. Since 1 July 2013 the Brucknell No 2 Farm has been operated under a share farming agreement in conjunction with the Brucknell No 1 Farm. Management has advised us that the financial performance to date is not a reflection of expected earnings post Completion (following the acquisition of the Brucknell No 1 Farm).

4.5. Independent valuations

On 26 May 2014 Roger Cussen provided an independent valuation of the Brucknell No 2 Farm (as at 29 April 2014, being the date of inspection) at \$4,203,000. A copy of Mr Cussen's independent valuation is attached to this Report as Appendix D. His valuation report was prepared in accordance with the Australian Property Institute (API) Code of Professional Practice and the API Practice Standards and Guidance Notes.

The Valuer also provided a notional assessment of the fair value of both properties, assuming the purchase of the Brucknell No 1 Farm. In this regard the Valuer assumed that the two properties will be reconfigured and the "new milking platform" farms referred to as North Moreys Road (166 hectares of the Brucknell No 2 Farm and 91 hectares of the Brucknell No 1 Farm) and South Moreys Road (114 hectares of the Brucknell No 2 Farm and 163 hectares of the Second Dairy). The combined independent valuation of the two properties was \$8,057,000 – refer to Appendix E of this Report.

5. PROFILE OF THE ADF GROUP

5.1. Proforma ADF Group – Post Stapling and Public Offer

Set out below is a proforma summary of the assets and liabilities of the ADF Group assuming completion of the Public Offer, showing both Minimum and Maximum subscription, and purchase of the Brucknell No 1 Farm. The proforma financial position is based on the management accounts of APA and the ADF Trust (as adjusted) at 31 March 2014, as summarised in Section 3.3 and 4.3 respectively.

\$'000	APA	ADF Trust	Adjustments		ADF Group	
			Minimum	Maximum	Minimum	Maximum
ASSETS						
Current assets						
Cash and cash equivalents	71	15	1,890	6,440	1,976	6,526
Receivable	-	117	-	-	117	117
Investment in OneVue	725	-	-	-	725	725
Other	23	19	-	-	42	42
	<u>819</u>	<u>151</u>	<u>1,890</u>	<u>6,440</u>	<u>2,860</u>	<u>7,410</u>
Non-current assets						
Livestock – dairy cattle	-	640	1,060	1,060	1,700	1,700
Plant and equipment	-	111	150	150	261	261
Land and buildings - dairy farms	-	4,203	3,854	3,854	8,057	8,057
	<u>-</u>	<u>4,954</u>	<u>5,064</u>	<u>5,064</u>	<u>10,018</u>	<u>10,018</u>
TOTAL ASSETS	<u>819</u>	<u>5,105</u>	<u>6,954</u>	<u>11,504</u>	<u>12,878</u>	<u>17,428</u>
LIABILITIES						
Trade and other payables	(201)	(328)	155	155	(374)	(374)
Loan – CBA	-	(2,250)	(1,750)	(750)	(4,000)	(3,000)
– Interim Facility Trust	-	(3,160)	3,160	3,160	-	-
Convertible Note	-	-	(2,350)	(1,350)	(2,350)	(1,350)
	<u>(201)</u>	<u>(5,738)</u>	<u>(785)</u>	<u>1,215</u>	<u>(6,724)</u>	<u>(4,724)</u>
NET ASSETS	<u>618</u>	<u>(633)</u>	<u>6,169</u>	<u>12,719</u>	<u>6,154</u>	<u>12,704</u>
EQUITY						
Contributed equity	7,866	-	6,955	13,505	14,821	21,371
Reserves	198	-	-	-	198	198
Accumulated Losses	(7,446)	(633)	(786)	(786)	(8,865)	(8,865)
TOTAL EQUITY	<u>618</u>	<u>(633)</u>	<u>6,169</u>	<u>12,719</u>	<u>6,154</u>	<u>12,704</u>
No. of Stapled Securities on issue ('000) – Section 5.2					50,472	85,472
Net asset value per Stapled Security (cents)					12.2c	14.9c

Notes to Proforma Adjustments

The following adjustments have been made to present the balance sheets of APA, ADF Trust and ADF Group, assuming Completion of the Stapling Transaction, the Public Offer and purchase of the Brucknell No 1 Farm, had taken place at 31 March 2014.

- (i) *Consolidation of Shares* – The issued capital of APA is consolidated on the basis every 5 Shares are consolidated into 1 Share (this adjustment has no impact on the assets and liabilities of APA or ADF Group).
- (ii) *Stapling Transaction* – The redemption of existing units (for \$100) and the issue of units in the Trust (the same number as the issued shares in APA post consolidation) to Shareholders. The Shares and Units stapled and the Stapled Securities listed on ASX. This adjustment has the impact of consolidating the Trust in the ADF Group.
- (iii) *Payment of directors' fees* – Issue of 775k Stapled Securities as payment for directors' fees of \$155k owing to Michael Hackett, Adrian Rowley and Graham Anderson – see Section 3.3 (ii).
- (iv) *Stapled Securities issued under the Public Offer* – The issue of 37.5m Stapled Securities at 20 cents each to raise \$7.5m (Minimum subscription) or 72.5m Stapled Securities at 20 cents each to raise \$14.5m (Maximum subscription).
- (v) *Costs associated with the Public Offer* – Estimated costs associated with the Public Offer of \$700k (Minimum subscription) and \$1.15m (Maximum subscription) are assumed to have been paid.
- (vi) *Purchase of Brucknell No 1 Farm* – Settlement of the Brucknell No 1 Farm Property is assumed to have occurred, estimated as follows:

\$'000	APA	ADF Trust	ADF Group
Purchase price	-	4,395	4,395
Acquisition costs (stamp duty)	-	245	245
Livestock (estimated 700 dairy cattle)	1,060	-	1,060
Farm equipment (per contract)	150	-	150
	1,210	4,640	5,850
Funded under Minimum Subscription by:			
- Bank debt	-	1,750	1,750
- Public Offer	1,210	2,890	4,100
	1,210	4,640	5,850
Funded under Maximum Subscription by:			
- Bank debt	-	750	750
- Public Offer	1,210	3,890	5,100
	1,210	4,640	5,850

- (vii) *Part repayment of loan owing to Interim Facility Trust* – The Trust repays \$0.81m of the loan under Minimum subscription or \$1.81m under Maximum subscription (or as agreed between the parties for proceeds received between Minimum and Maximum).
- (viii) *Issue of Convertible Note* - ADF Group provides the Interim Facility Trust with the Convertible Note to repay the balance of the loan owing to the Interim Facility Trust (\$2.35m under Minimum subscription and \$1.35m under Maximum subscription, assuming the loan balance at Completion is the same as at 31 March 2014) by the issue of Stapled Securities at 20 cents each. For the purposes of preparing the proforma accounts, it has been assumed that the equity component under the proposed option agreement is immaterial.

(ix) *Record dairy farms at fair value* – The independent valuation of the combined dairy farms, assuming completion of the laneway improvements, assessed by Roger Cussen at \$8.057m (see Section 4.5 and Appendix E of this Report). The net loss on revaluation of the combined dairy farms has been calculated, for proforma purposes, as follows:

	Reference	\$'000
Brucknell No 2 Farm – at fair value	4.3 (ii)	4,203
Acquisition of Brucknell No 1 Farm – at cost	(vi)	4,640
		8,843
Independent valuation of combined dairy farms	4.5	(8,057)
Net loss on fair value adjustment		786

5.2. Proforma movements in contributed equity

Set out below is a summary of the movements in contributed equity as reflected in the above proforma balance sheet of ADF Group.

	Section 5.1 notes	No of securities ('000)			\$'000
		APA	ADF Trust	ADF Group	ADF Group
Actual – 31 March 2014		60,987	-		7,866
Consolidation of Shares (5 to 1)	(i)	12,197			-
Issued units and Stapling	(ii)		12,197	12,197	-
Payment of directors' fees	(iii)	775	775	775	155
Public Offer – Minimum	(iv)	37,500	37,500	37,500	7,500
Equity transaction costs – Minimum	(v)	-	-	-	(700)
Proforma Minimum - 31 March 2014		50,472	50,472	50,472	14,821
Adjustment under Maximum Raising:					
- Additional securities issued	(iv)	35,000	35,000	35,000	7,000
- Additional equity transaction costs	(v)	-	-	-	(450)
Proforma Maximum - 31 March 2014		85,472	85,472	85,472	21,371

5.3. TAU & Associates' interest in ADF Group

TAU and its associates currently hold a 34.2% interest in APA as shown in Section 3.4 of this Report. Set out below is a proforma summary of TAU and associates' interest in ADF Group after Stapling, completion of the Public Offer and purchase of the Brucknell No 1 Farm, assuming TAU or its associates do not participate in the Public Offer.

	No of Securities ('000)			
	Held by TAU & associates		Total	
	Minimum	Maximum	Minimum	Maximum
Actual – 31 March 2014	20,870	20,870		
Consolidation of Shares (5 to 1)	4,174	4,174		
Payment of directors' fees to Michael Hackett	375	375		
Proforma – 31 March 2014	4,549	4,549	50,472	85,472
Exercise of Convertible Note	11,750	6,750	11,750	6,750
Proforma – if Convertible Note exercised	16,299	11,299	62,222	92,222
% of interest held – after conversion	26.2%	12.3%		

6. VALUATION METHODOLOGIES AND APPROACH

6.1. Valuation methodologies

To estimate the fair value of a share in APA (before the Proposed Transactions) and a Stapled Security in ADF Group (at Completion), we have considered common market practice and the valuation methodologies recommended by ASIC Regulatory Guide 111, which deals with the content of independent expert's reports. These are discussed below.

Market based methods

Market based methods estimate a company's fair value by considering the market price of transactions in its shares or the market value of comparable companies. Market based methods include:

- Capitalisation of maintainable earnings
- Analysis of a company's recent share trading history
- Industry specific methods

The capitalisation of maintainable earnings method estimates fair value assessed on the company's future maintainable earnings and an appropriate earnings multiple. An appropriate earnings multiple is derived from market transactions involving public trading multiples of comparable companies. The capitalisation of maintainable earnings method is appropriate where the company's earnings are relatively stable.

The most recent share trading history provides evidence of the fair value of the shares in a company where they are publicly traded in an informed and liquid market.

Industry specific methods estimate market value using rules of thumb for a particular industry. Generally rules of thumb provide less persuasive evidence of the market value of a company than other valuation methods because they may not account for company specific factors.

Discounted cash flow methods

Discounted cash flow methods estimate market value by discounting a company's future cash flows to a net present value. These methods are appropriate where a projection of future cash flows can be made with a reasonable degree of confidence. Discounted cash flow methods are commonly used to value early stage companies or projects with a finite life.

Asset based methods

Asset based methods estimate the market value of a company's shares based on the realisable value of its identifiable net assets. Asset based methods include:

- orderly realisation of assets method;
- liquidation of assets method; and
- net assets on a going concern basis

The orderly realisation of assets method estimates fair value by determining the amount that would be distributed to shareholders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the company is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the company may not be contemplated, these methods in their strictest form may not necessarily be appropriate.

The net assets on a going concern basis method estimates the market value of the net assets of a company but does not take account of realisation costs.

These asset based methods ignore the possibility that the company's value could exceed the realisable value of its assets as they ignore the value of intangible assets such as customer lists, management, supply arrangements and goodwill. Asset based methods are appropriate when companies are not profitable, or where a significant proportion of a company's assets are liquid, or for asset holding companies.

6.2. Our approach

As noted in Section 2.6 of this Report, RG 111 provides that when analysing related party transactions, it is important to focus on the substance of the transactions rather than the legal mechanism. The proposals to be put to Shareholders includes a number of resolutions as set out in Section 1.2 of this Report. A number of the resolutions are inter-dependent on each other, including the related party proposals. The substance of the proposals is to restructure the Company through the Stapling Transaction, undertake a capital raising to acquire a Brucknell No 1 Farm (and livestock), repay part of the related party debt and to issue TAU (as trustee of the Interim Facility Trust) with a Convertible Note to repay the balance of the loan (in part or all) by the issue of Stapled Securities.

In considering whether the Proposed Transactions are fair to the Non-associated Shareholders, we have considered the overall position of the Non-associated Shareholders before and after Stapling and Public Offer. As such, we have compared the estimated fair value of an APA share before Stapling and the Public Offer to the estimated fair value of a Stapled Security after Stapling and the Public Offer (including the acquisition of the Brucknell No 1 Farm).

In the event that the latter value exceeds the former value, the Proposed Transactions would be regarded as "fair" to the Non-associated Shareholders as a whole. Conversely, if the former value exceeds the latter value, then the Proposed Transactions would be regarded as "not fair" to the Non-associated Shareholders as a whole.

7. VALUATION OF APA

7.1. Approach and methodology

As set out in Section 6.2 above, our assessment of fairness of the Proposed Transactions includes a comparison of the estimated fair value of an APA Share, before Stapling and Public Offer, to the estimated fair value of a Stapled Security, at Completion which is after Stapling and Completion of the Public Offer.

There are a number of methodologies that can be used to value a business or the shares in a company as noted in Section 6.1 of this Report. Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. The principal assets of APA currently comprise its investment in OneVue and its ASX listing status. In our experience, the most appropriate method for determining the value of companies similar to APA is on the basis of the fair value of the underlying net assets.

The issue price under recent capital raisings can provide a reliable indicator of fair value of a minority interest in APA. However, APA has not issued any shares since January 2010. The Public Offer is dependent on the restructure proposals such that the proposed issue price under the intended capital raising is not applicable in arriving at a value of an APA Share before Stapling and capital raising.

The quoted market price of a listed security is also expected to provide good evidence of the value a security, where the market is well informed and there is regular high volume trading in that security (i.e. the market for the security is reasonably liquid). The volume of trading of APA's shares on ASX over the past twelve months (as shown in Section 3.5) has been minimal as APA's shares are effectively illiquid.

7.2. Assessed value of APA – before Stapling and Public Offer

Our valuation of APA, after considering the underlying value of the company's assets and liabilities as a going concern, is summarised below. Our assessment is based on APA's balance sheet at 31 March 2014, which management has confirmed has not significantly changed subsequent to that date. Where appropriate, we have made adjustments for the value of APA's assets as assessed above.

APA's assets effectively comprise cash, a minority interest in OneVue and the value of a listed corporate shell. In our experience listed shells in the current market have a value of between \$0.5m and \$1m and we have added this value to the net asset value of APA. However, if the Directors are unsuccessful in completing the proposed restructure and capital raising and decide to wind up the Company and return the surplus cash to Shareholders (after disposing of the investment in OneVue), then no value would be attributed to the listed shell.

	Section Reference	Low	High
Net assets – March 2014	3.3	618	618
Adjustment for valuation purposes:			
– Value of listed shell (see above)		500	1,000
Equity value		<u>1,118</u>	<u>1,618</u>
Number of shares ('000) – before consolidation	3.3 (iii)	60,987	60,987
Value per share (cents) – before consolidation		1.8c	2.7c

Our assessed value of an APA share is in the range of 1.8 cents and 2.7 cents (see above). We have not compared our assessed valuation range of an APA share with recent market trading as the liquidity of APA's shares can impact the reliance placed on adopting the trading price of APA's shares to measure the fair value of APA. We also note that the trading prices above do not incorporate a premium for control, and inherently reflect a minority interest, whereas our valuation of an APA Share is based on a portfolio of assets which does not include a discount for a minority interest.

Although APA currently has no business activity, the Directors are committed to the proposed dairy aggregation and, if this does not occur, would continue in search of an acquisition opportunity. For the purpose of our assessment of fairness of the Proposed Transactions, we have valued the net assets on a going concern basis, as the intention is for the Company not to be wound up.

However, if Shareholders do not approve the current proposals and the search for a business acquisition is not successful, the alternative may be liquidation. While we would suspect that estimated realisation costs on liquidation would not be significant, no value would be attributed to the listed shell and realisation of APA's investment in OneVue may take more time and sell for a lower price than its carrying value. On this basis, Shareholders are likely to receive significantly less for their APA Shares than our assessed value of between 1.8 cents and 2.7 cents.

8. VALUATION OF ADF GROUP (AFTER THE PROPOSED TRANSACTIONS)

8.1. Approach and methodology

The principal assets of the ADF Group will comprise cash, a minority interest in OneVue (which may be subsequently sold), the two dairy farms at Brucknell and associated livestock. In our experience, the most appropriate method for determining the value of the ADF Group is on the basis of the fair value of the underlying asset portfolio and the fair value of the liabilities.

We note that management has prepared financial projections based on owning the two properties, as contemplated under the current proposals, as well as additional properties being acquired under the planned dairy farm aggregation. We have not applied either an earnings or discounted cash flow method of valuing the ADF Group at Completion as the prospective financial information cannot be verified and, therefore, does not provide a reasonable basis for adopting these methodologies.

ASIC Regulatory Guides envisage the use by an independent expert of specialists when valuing specific assets. To assist Pitcher Partners CF in the valuation of the property assets, Roger Cussen, a property valuation specialist in Warrnambool, Victoria, was engaged to prepare an independent property valuation in respect of both the Brucknell No 2 Farm (owned by the Trust) and the combined dairy farms (post settlement of the Brucknell No 1 Farm). A copy of Roger Cussen's reports are attached to this Report as Appendix D (Brucknell No 2 Farm) and Appendix E (combined dairy farms).

Other assets and liabilities of ADF Group have been incorporated in our valuation at assessed values or book values.

As a cross-check to our valuation of the ADF Group post Stapling and Public Offer, we have compared our assessment of the fair value of the Stapled Securities to the issue price under the Public Offer.

8.2. Assessed value of the Stapled Securities

A proforma summary of the assets and liabilities of ADF Group after completion of the Public Offer, showing both Minimum and Maximum subscriptions, is set out in Section 5.1 of this Report. The proforma balance sheet reflects the assets of ADF Group at market value based on the independent valuation of the combined dairy properties, as assessed by Roger Cussen, the livestock held on the Brucknell No 2 Farm at management's appraised market value and other assets at our valuation.

Based on proforma balance sheet set out in Section 5.1 above, our assessed value of a Stapled Security on completion is in the range of 12.2c to 14.9c.

Our cross-check to our valuation of a Stapled Security of ADF Group at Completion, using the issue price of 20 cents per Stapled Security under the Public Offer, shows that our range of values in adopting the net assets is lower than the issue price of 20 cents. We believe the possible reasons for the higher value for the issue price could relate to the following:

- the value of a Stapled Security at Completion has been assessed after deducting all transaction costs, including property acquisition costs and equity raising costs, which equate to approximately 1.9c to 2.3c per Stapled Security; and
- the pricing under the Public Offer includes a premium to the net tangible asset backing of a Stapled Security based on an expectation of the underlying yield post Completion.

9. ASSESSMENT OF FAIRNESS AND REASONABLENESS

9.1. Approach

In forming our opinion as to whether the Proposed Transactions are fair and reasonable, we have considered:

- whether the fair value of an APA Share is higher or lower than the estimated fair value of a Stapled Security post Stapling and Public Offer;
- other qualitative factors which we believe represent either advantages or disadvantages to Shareholders;
- the likelihood of an alternative superior offer being made to Shareholders; and
- alternatives available to Shareholders.

9.2. Fairness

In determining whether the Proposed Transactions are fair to the Non-associated Shareholders we have compared the fair value assessed for a an APA Share, before the Proposed Transactions, with the estimated fair value of a Stapled Security after the Proposed Transactions and Public Offer.

The comparison of values below is based on the fair values assessed for APA in Section 7 and for ADF Group in Section 8 as follows:

Comparison of values – APA and ADF Group valued on a net asset backing basis	Section Reference	Low	High
Fair value of an APA Share – before consolidation (cents)	7.2	1.8	2.7
Fair value of an APA Share – after consolidation (cents)		9.0	13.5
Fair value of a Stapled Security – at Completion (cents)	8.2	12.2	14.9

Source: Pitcher Partners CF analysis

Ultimately the ‘fair value’ of the Stapled Securities will be dependent on the prices at which they trade on the ASX after the Public Offer is completed.

Since the estimated value of a Stapled Security at Completion, is higher than the fair value of an APA Share before Stapling (assessed on a post share consolidation basis for comparative purposes), we consider the Proposed Transactions to be fair.

The Proposed Transactions also includes the issue of the Convertible Note to the Interim Facility Trust so that TAU can elect to have part or all of the balance of the loan (owing by the ADF Trust) repaid at any time up to two years from Completion through the issue of Stapled Securities at 20 cents each. If TAU elects not to have the loan converted into Stapled Securities, the loan will become repayable in two years from Completion. Since the issue price to the Interim Facility Trust under the Convertible Note at 20 cents each, is higher than the estimate value of a Stapled Security at Completion (being in the range of 12.2 cents to 14.9 cents), we consider the terms of the issue of the Convertible Note to be reasonable in the circumstances as if the Company and TAU were dealing at arm’s length.

9.3. Other considerations

The Stapling Transaction will result in Shareholders being issued units in the Trust for no consideration. This transaction, on a standalone basis, being issued units in the Trust (even at no consideration), would not be considered fair or reasonable as the liabilities of the Trust exceed its assets, resulting in a net asset deficiency of \$633k. Furthermore, on a standalone basis, the Trust would have a significant debt obligation to both CBA and Interim Facility Trust without necessarily having the capacity to meet its funding obligations (based on the Trust's historical financial performance). The Trust's net asset deficiency further deteriorates following the acquisition of the Brucknell No 1 Farm. The independent valuation of the combined dairy farms was assessed at approximately \$8m, compared to the carrying value of the two properties (post acquisition of the Brucknell No 1 Farm) at approximately \$8.9m. The write down of the properties to reflect their market value at Completion (and as reflected in the proforma balance sheet of the ADF Group presented in Section 5.1 of this Report) would result in a further deterioration of the Trust's net asset deficiency by approximately \$0.8m.

In analysing the Proposed Transactions we have not considered the stapling of the Shares and Units on a standalone basis but after completion of all the inter-dependent proposals in line with the substance of the overall proposals. The assessed value of a Stapled Security at Completion, at 12.2 cents to 14.9 cents, is impacted by the Public Offer which is based on an issue price of 20 cents per Stapled Security.

The estimated value of a Stapled Security at Completion is higher than the assessed fair value of an APA Share after the share consolidation, but not significantly. The fair value of an APA Share was based on the Company's net assets on a going concern basis. As set out in Section 7.2 of this Report, if Shareholders do not approve the current proposals and the search for a business acquisition is not successful, the alternative may be liquidation. On this basis, Shareholders are likely to receive significantly less than our assessed value of 9 cents to 13.5 cents per Share (post consolidation).

9.4. Strategic Rationale

In the November 2013 ASX release, APA provided an update to the market on the status of the dairy farm aggregation project and background on the proposed business strategy. The Notice of Meeting also sets out the strategic rationale for acquiring and managing dairy farms in Victoria. The overall plan is to progressively increase the number of farms under ownership, lease or management to optimise the financial returns by:

- obtaining premium farm gate prices currently paid by processors to farmers who produce high annual volumes of milk;
- generating cost savings from efficiencies in both operating and overhead costs through shared farm management and combined purchasing power; and
- increasing volume and quality production through application of sound agronomy, pasture management, genetic improvement and breeding techniques and the capacity for livestock mobility between properties for seasonal location advantages.

If the resolutions are approved, and the Public Offer completed, the ADF Group will initially own and operate two dairy farms. Increasing the number of farms under ownership thereafter will involve further debt and equity funding. Management has prepared financial projections based on owning the two properties, as contemplated under the current proposals, as well as additional properties following further capital raisings. While we have not reviewed the financial projections, or the underlying key assumptions, we note that management has developed a detailed business strategy which shows positive earnings and cash flows following the acquisition of the first two properties under the proposed restructure.

9.5. Reasonableness

RG 111 provides that “an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer”. As we have concluded that the Proposed Transactions are fair, it is also, by definition, reasonable.

Notwithstanding the fairness conclusion described above, in assessing whether or not the Proposed Transactions are reasonable, we have had regard to the commercial and qualitative factors set out below, including the likely advantages and disadvantages to the Non-associated Shareholders if the Proposed Transactions are implemented, with the advantages and disadvantages to those Non-associated Shareholders if it is not. We note that individual Shareholders may interpret these factors differently depending on their specific circumstances.

Advantages

Increased share liquidity and marketability - As shown in Section 3.5 APA’s shares have had very little liquidity and, should the Company sell its interest in OneVue, the Shares could be suspended from listing until a new business is acquired. Although the Stapled Securities may not be regularly traded, the liquidity is expected to be significantly greater than the current APA’s Shares.

Access to additional cash - As described in Section 3.2, at 31 March 2014 APA had \$71k in cash and is likely to require further capital over the next 12 months depending on the level of operating costs.

Exposure to the milk industry – The milk industry is made up of producers (which is the strategy for the ADF Group) and processors. The recent takeover bidding process for Warrnambool Cheese and Butter has underlined the global interest in Australian dairy, particularly on the processing side.

Board view - The Independent Directors have unanimously recommended the Proposed Transactions to Non-associated Shareholders, and they each intend to vote in favour of the Proposed Transactions in respect of all Shares they hold or control.

Disadvantages

Exposure to additional risks - While the Proposed Transactions will increase the diversification of the assets that Shareholders will have exposure to through the ADF Group, Shareholders will also be subject to the risks associated with the property and livestock assets.

Exposure to debt – On completion of the Public Offer and acquisition of the Brucknell No 1 Farm, ADF Group will have substantial debt and a gearing ratio (total liabilities divided by total assets) of 52% under Minimum subscription and 27% under Maximum subscription.

Debt repayment obligations – If TAU does not elect to exercise the Convertible Note, the loan owing to the Interim Facility Trust will become repayable in two years from Completion. The ability of the ADF Group to fund this obligation will depend on its capacity to raise funds (debt or equity) at that time. Furthermore, the terms and conditions in respect of the bank debt at Completion have not yet been agreed with CBA or any other bank. The TAU directors advise that the lending ratios are within CBA’s lending criteria, and that they expect loan arrangements to be offered by CBA on reasonable terms, however, when finalised, the debt facility may not be on favourable terms and conditions to the ADF Group.

Other considerations

Alternatives - As an alternative to the Proposed Transactions proceeding, Shareholders can vote against the proposals with an expectation that a superior proposal may emerge in the future. There is no evidence to suggest that Shareholders would be better off under either alternative. We have discussed with the Directors the likelihood of alternative offers emerging and we have been advised that the Directors are not aware of any alternative or superior offer.

9.6. Conclusion

For the reasons set out above, in the absence of a superior proposal, we consider the Proposed Transactions to be fair and reasonable to the Non-associated Shareholders.

APPENDIX A - GLOSSARY OF TERMS

Abbreviation	Full Title/Description
\$	Australian dollars
Act	The Corporations Act 2001
ADF Trust, the Trust	Australian Dairy Farms Trust
ADF Group	The stapled group formed through the Stapling of Shares to Units
APA, the Company	APA Financial Services Limited
APAPL	Australian Portfolio Administrators Pty Ltd
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Board	Board of Directors
Brucknell No 1 Farm	Property located at 463 Moreys Road, Brucknell, Victoria
Brucknell No 2 Farm	Property located at 417 Moreys Road, Brucknell, Victoria
CBA	Commonwealth Bank of Australia Limited
Completion	Completion of the Stapling Transaction, Public Offer, acquisition of Brucknell No 1 Farm and exercise of the SWDF Option.
Convertible Note	As defined in Section 1.2 of this Report.
Explanatory Memorandum	Prepared for Shareholders, to which this report is attached
FY12 & FY13	Financial year ended 30 June 2012 and 2013
GST	Goods and Services Tax
IPR	Indian Pacific Resources Limited
Independent Directors	Directors of APA other than Michael Hackett.
Interim Facility Trust	DFIT Interim Facility Trust
IPO	Initial public offering
k	Thousands
m	Millions
Maximum	Maximum subscription under the Offer to issue Securities
Minimum	Minimum subscription under the Offer to issue Securities
Non-associated Shareholders	The shareholders of APA who are entitled to vote in relation to the Related Party Transactions.
Notice of Meeting	Notice of General Meeting of APA Shareholders to approve the Proposed Transactions
Offer	The offer under the Public Offer
OneVue	OneVue Holdings Pty Ltd
PDS	Product Disclosure Statement included with the Notice of Meeting
Pitcher Partners CF	Pitcher Partners Corporate Finance Limited
Public Offer	The issue of a prospectus to raise between \$7.5m and \$14.5m through the issue of Stapled Securities.
Regulations	Corporations Regulation 2001
Report	This independent expert's report prepared by Pitcher Partners CF for APA dated [25] June 2014
RG 111	Regulatory Guide 111: Content of expert reports
Shareholders	Shareholders of APA
Shares	Ordinary shares in APA
Stapled Securities	Shares and Units stapled together to form a single security
Stapling	The stapling of shares in APA and units in ADF Trust to form the ADF Group and to be traded together on ASX
Stapling Transaction	As defined in Section 1.2 of this Report.
SWDF	SW Dairy Farms Pty Ltd
SWDF Option	As defined in Section 1.2 of this Report.
TAU	Trustees Australia Limited
Units	Ordinary units in ADF Trust

APPENDIX B – SOURCES OF INFORMATION

In arriving at our views, we have had regard to the following sources of information:

- audited financial statements of APA for the financial years ended 30 June 2012 and 2013 and the interim financial report for the half year ended 31 December 2013;
- audited financial statements of TAU for the financial year ended 30 June 2013 and the interim financial report for the half year ended 31 December 2013;
- Notice of Meeting and Explanatory Memorandum sent to Shareholders in respect of the Proposed Transactions;
- Unaudited management accounts of APA, ADF Trust and Interim Facility Trust for the 9 months ended 31 March 2014;
- The property valuation reports provided by Roger Cussen attached as Appendix D and Appendix E;
- ASX announcements for APA;
- pro forma financial information provided by APA management; and
- market data obtained from sources including Capital IQ.

In addition we held discussions and correspond with various members of the management of APA and TAU and their advisors.

APPENDIX C – QUALIFICATIONS AND DECLARATIONS

Qualifications

Pitcher Partners CF is the licensed corporate advisory arm of the accounting firm Pitcher Partners, Brisbane. Pitcher Partners CF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and the provision of expert reports.

Ross Walker, FCA, B.Com, is a director of Pitcher Partners CF, a partner of Pitcher Partners and is responsible for the preparation of this report. Mr Walker has in excess of 25 years experience in corporate finance and has undertaken numerous corporate finance assignments involving acquisitions, divestments, valuations and financial due diligence.

Disclaimers

This report has been prepared at the request of the Independent Directors of APA for inclusion in the Notice of Meeting and Explanatory Memorandum which will be distributed to all APA Shareholders. APA has engaged Pitcher Partners CF to prepare an independent expert's report to consider whether the Proposed Transactions are fair and reasonable to the Non-associated Shareholders.

It is not intended that this Report should be used or relied upon for any purpose other than Pitcher Partners CF's opinion as to whether the Proposed Transactions are fair and reasonable to the Non-associated Shareholders. Pitcher Partners CF expressly disclaims any liability to any APA shareholder who relies or purports to rely on the Report for any other purpose and to any other party who relies or purports to rely on the Report for any purpose whatsoever.

Other than this report, Pitcher Partners CF not the Pitcher Partners Brisbane Partnership have not been involved in the preparation of the Explanatory Memorandum or any other documentation prepared in respect of the Proposed Transactions. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole or other documents prepared in respect of the Proposed Transactions.

Our report makes reference to "Pitcher Partners CF analysis". This indicates only that we have (where specified) undertaken certain analytical activities on the underlying data to arrive at the information presented.

Our report has been prepared in accordance with APES225 Valuation Services.

Independence

In addition to the disclosures in our Financial Services Guide it is relevant to a consideration of our independence that, during the course of this engagement, Pitcher Partners CF provided draft copies of this report to management of APA for comment as to factual accuracy, as opposed to opinions which are the responsibility of Pitcher Partners CF alone. Changes made to this report as a result of those reviews have not altered the opinions of Pitcher Partners CF as stated in this report.

Consent

Pitcher Partners CF consents to the inclusion of this Report in the form and context in which it is included with the Notice of Meeting and Explanatory Memorandum to be issued to APA Shareholders. Neither the whole nor the any part of this report nor any reference thereto may be included in any other document without the prior written consent of Pitcher Partners CF as to the form and context in which it appears.

APPENDIX D – INDEPENDENT VALUATION OF BRUCKNELL NO 2 FARM

26 May 2014

Attention: Michael Hackett

The Directors
APA Financial Services Ltd
Level 1
41 Edward Street
BRISBANE QLD 4000

Attention: Ross Walker

Pitcher Partners
GPO Box 1144
BRISBANE QLD 4001

Dear Sirs

**MATTER OF: DIRECTORS OF APA FINANCIAL SERVICES LTD
REQUEST FOR AN INDEPENDENT EXPERT REPORT TO SHAREHOLDERS
PROPERTY: 417 MOREYS ROAD, BRUCKNELL**

In accordance with the email instruction dated 20 April 2014 from Michael Hackett (copy appended) in relation to the abovementioned matter, I confirm having personally inspected the dairy farm property, 417 Moreys Road, Brucknell, for the purpose of assessing the fair market value of the property (unencumbered freehold or real estate interest) as described below, as at the date of my inspection of the property, 29 April 2014, as part of supporting information for Mr Ross Walker, Pitcher Partners, acting as an Independent Expert to provide a report to shareholders of APA Financial Services Ltd.

The valuation report is effective as at the relevant date of 29 April 2014.

This valuation report has not been prepared for mortgage or security lending purposes and cannot be reassigned for that purpose.

The valuation takes into account the unencumbered freehold only. It does not include any business goodwill component and it assumes realisable value is not comprised by the interests of any third parties (that is, unit holders or lessors for say plant and equipment). However the subject property, being a dairy farm, has certain infrastructure items regarded as being inherent with the property and these infrastructure items would most likely be included if the property were offered for sale. These infrastructure items include dairy plant (including motors, pumps, milking machines and vat), feed system (including motors, augers, mills and silos) and livestock water supply systems (including pumps, tanks, pipes and troughs).

This valuation report has also been prepared in accordance with the Australian Property Institute (API) Code of Professional Practice. The valuation report has also been prepared in accordance with the API Practice Standards and Guidance Notes.

The definition of market value has been based on that adopted by the Australian & New Zealand Valuation and the International Assets Valuation Standards Committee (IVSC) defined as follows:

"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The valuation is also based on the assumption:

- The price at which the property might reasonably be expected to be sold at the relevant date of valuation
- A willing buyer and willing seller
- The property is offered for sale with vacant possession
- It is placed on the open market for sale with an appropriate advertising/marketing campaign including method of selling, most likely private sale or expression of interest
- A reasonable period within which to negotiate the sale, taking into account the nature of the property and the state of the market
- The usual terms and unconditional contract of sale apply including payment of 10% deposit and full settlement of balance of purchase price in 90/120/150 days
- That no account has been taken of any higher price that might be paid by a purchaser with a "special interest".

A reasonable selling period for the subject property is believed to be up to 12 months for assessing the realisation of the property.

The scope of the work undertaken by me in completing the valuation has included:

- Collation of information from relevant parties regarding the subject property
- Undertaking my own research regarding the subject property
- An inspection of the property
- Undertaking market research in terms of values and sales of other somewhat similar properties
- Preparation of valuation calculations
- Preparation of this report

The valuer certifies that he is qualified in the state of Victoria to value various classes of real property and in particular, Rural & Agri Business Assets, whilst not limited to such holdings.

I confirm that I have no past, present or proposed pecuniary interest in the subject property that could reasonably be regarded as being capable of affecting my ability to give an unbiased opinion as to the market value of the subject property.

For the purposes of this advice, and in accordance with the terms of my instructions, much of the usual comprehensive commentary associated with a property valuation report is considered unwarranted in this instance, apart from a brief synopsis of the property, but I have commented more specifically in relation to sales evidence considered pertinent in providing a guide as to value, albeit limited, and my valuation rationale or methodology.

A brief overview of the property is detailed as follows:

Title Particulars:	1.	Crown Grant Volume 8331 Folio 989 Crown Allotment 39 Parish of Brucknell	82.97 hectares
	2.	Certificate of Title Volume 7885 Folio 154 Crown Allotment 40 Parish of Brucknell	83.02 hectares
	3.	Certificate of Title Volume 8738 Folio 431 Lot 1 Plan of Subdivision 080501	32.37 hectares
	4.	Certificate of Title Volume 6269 Folio 740 Crown Allotment 68A Parish of Brucknell	<u>81.12</u> hectares
		Total:	279.48 hectares

Buildings:**Home**

Circa 1980's single storey design, brick veneer perimeter walls, cement tile roof, accommodation includes 3 bedrooms (master ensuite), 2 living rooms. Good level of presentation and provides comfortable living conditions

Cottage

Circa 1960's single storey design, hardiplank perimeter walls, colorbond roof, a standard design and of standard quality finish. Structurally sound, average level of presentation

Dairy

Circa 2000, 50 unit rotary dairy having a 21,000 litre vat, automatic feed system and 400 cow yard. Good state of repair in every respect

NOTE: For the purpose of this valuation, it has been assumed the following intended works to the dairy have been entirely completed and are fully operational: installation of a computer feed system, automatic teat spray system, automatic cup removal system and development of a feed pad

Calf Shed

Former woolshed converted and extended for use as a calf shed. Structurally sound and in good order

Machinery Shed/Workshop

High clearance, fully enclosed structure. Structurally sound and in excellent order

Hay Shed

Standard structure

Garage

Standard structure for 2 cars

Machinery Shed & Garage/Workshop

Standard type structures situated at the portion of the property identified as 650 Timboon-Nullawarre Road

Cattle Yards: 2 sets, each of a standard type

General Remarks:

The subject property is located within the locally referred to "Golden Triangle" (basically bound by the Princes Highway from Warrnambool to Camperdown and the Great Ocean Road from Warrnambool to Timboon), the recognised, established, long-standing well regarded dairying district of south west Victoria. Warrnambool, the provincial city serving south west Victoria approximately 50 kilometres from the subject property, provides comprehensive commercial, professional, educational, medical and recreational services and amenities and as an alternative on a smaller scale, there is Terang or Camperdown, 35 and 45 kilometres respectively from the subject property and on a small scale, there is Timboon, 12 kilometres from the subject property.

The subject property is comprised in 2 separate holdings, firstly 417 Moreys Road, comprising an area of 198.36 hectares and secondly, 650 Timboon-Nullawarre Road, comprising an area of 81.12 hectares.

The subject property, featuring productive soils, is entirely arable land, has a good balance of soil types and is primarily relatively flat land with some scattered depressions through which a network of shallow excavated earthen drains, constructed in early 2014, facilitate runoff drainage. The friable top soil and heavier sub soil are capable of supporting heavy grazing of an established well managed perennial pasture.

The existing old species pasture, primarily perennial and to a lesser extent annual species grasses, is being rejuvenated under a program where a highly experienced dairy industry Agronomist has prepared a staged program and who it is intended will manage and monitor the pasture rejuvenation program including appropriate rates of application of fertiliser and in this regard, as the first stage approximately 70% of the property has already been direct drill over sown with biannual grass, the remainder of the property will be subsequently resown with a longer term permanent perennial grass.

For the purpose of this valuation, it has been assumed favourable seasonal conditions will prevail to allow satisfactory establishment of the permanent perennial pasture with minimal weeds throughout the entire property and in 3 or so years, the density, vigour and composition of the pasture will be capable of sustaining continual strong grazing.

Adequate livestock water supply is provided to the property under a pressure pump system, supplying 4,500 litre troughs located in each paddock, fed through a 50mm underground poly pipeline from 2 groundwater bores, each fitted with an electric pressure pump plus a large catchment gully embankment dam, also having an electric pressure pump

The property is subdivided into varying size paddocks ranging in area from 4.0-8.6 hectares but primarily around 4.5 hectares, accessed off an internal laneway system. The fencing, of varying construction, is supported by an electrified wire and is in good stockproof condition. The property is adequately subdivided, the layout of paddocks allows for effective management and the laneways are of an adequate width for easy movement of livestock and machinery and are in a good state of repair

The property is considered to be capable of carrying within the next 3 or so years, approximately 500 cows but naturally dependent on seasonal conditions, however replacement stock and cutting of hay/silage would be off farm on additional leased land

The subject property represents an already good, sound, sizeable dairy farm, having very good calibre infrastructure in respect to the various buildings, livestock water supply system and extent of paddock subdivision and further benefits in being within an assured, reliable rainfall belt. Assuming favourable seasonal conditions prevail for the next 3 or so years, the pasture rejuvenation program introduced early 2014, and which has already enhanced the property and as the "new" pasture continues to develop in density, vigour and composition during the next 3 or so years, there should be a continued trend of increased milk production. Subject to an overall proactive management regime, the property has the capacity to run some 500 cows with replacements and hay being cut on leased land

MARKET COMMENTARY

The rural market sector appeared to go into hibernation during 2011. Both values and sales activity had declined from the record peak in early 2009 and stabilised during the first half of 2012 to be followed by a general improvement in market sentiment during the latter half of 2012. Demand had been limited by poor seasonal results, credit limitations and volatile commodity prices. A better season has improved confidence generally. Since the market peak, overall south west Victoria has shown a decline in the order of 25% from the peak of the market and continues to be weak.

There are several factors influencing the rural property market at present:

Firstly, seasonal conditions: We have seen two wet summers in a row, a shift away from the long-term rainfall pattern. An early break has brought forward farming activity although a dry spring affected the outlook.

Secondly, finance: The banking sector has tightened lending criteria to the rural sector with higher equity requirements and the withdrawal of interest only loans. Risk management has also seen a greater emphasis on cash flow rather than security value with analysis showing farm gross margins placing limitations on borrowing. As a consequence, the rural sector needs to find additional cash to fund expansion, farm development and new purchases. This has reduced the number of active prospective purchasers in the market.

Thirdly, commodity prices: Commodity prices have been volatile, the continued strength of the Australian dollar is affecting export price and demand for Australian rural sector commodities. Farm gross margins are also under pressure from rising costs.

General confidence across much of the rural sector is now being testing due to volatile commodity prices, reduced gross margins and tighter credit control by the lenders. Demand for rural property has improved marginally, although prospective purchasers are generally finding it more difficult to obtain funding than during the market peak. This is evidenced by the decline in rural sales volume, a fall in values, increased selling periods and an increase in level of mortgagee activity in the rural market segment. Some demand is being generated by prudent city based investors, corporate and international buyers and larger successful family farming enterprises. Agents specialising in the marketing of rural property generally are reporting a decline in buyer activity with a limited and discerning number of buyers available.

The rural market is currently characterised as a "buyers market" with demand increasing. To date, the compulsion placed on financially stressed vendors to meet the market although has been measured. Changes in rural property values over the next 12 months will continue to be dictated principally by economic conditions, farm profitability, seasonal conditions and support from the banking sector.

With specific reference to the rural property market around the Warrnambool district, from my enquiry the extremely limited recent sales evidence for rural property "points" to the present prevailing flat market.

VALUATION RATIONALE

This valuation has been determined following an analysis of relevant sales information. In arriving at the current market value, I have had regard to the nature, size and location of the property, the design, layout and quality of the improvements and the productive potential of the property. The summation of land value and the added value of improvements approach has been used as the primary method of valuation, with a check method by direct comparison on an all inclusive per hectare basis. The pertinent sales evidence, albeit limited, has been apportioned a value to the land and an estimated added value for the buildings. The analysed levels of land and buildings values have then been applied to the subject property and adjusted where necessary based on my experience.

The current use of the property, a large scale dairy farm, is considered to be the highest and best use of the property.

MARKET EVIDENCE

In considering the assessment of value, I have had regard to the available evidence of relevant district sales, the local market is thinly traded due to limited demand and although there have been quite a few recent sales of large scale dairy farms in south west Victoria, but importantly outside the "Golden Triangle", which have been sold under bank foreclosure circumstances and these farms have been let go in recent years and have therefore been disregarded as providing parameters as to value.

Other than the sale of the subject property in early 2014, from my extensive enquiry and extensive network of "contacts", I am aware of two recent sizeable dairy farms which were freely sold on the open market and not under financial duress circumstances which are detailed as follows:

Address	Sale Date	Sale Price
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1. 434 Dingey Rd Narringal	Apr 2014	\$2,405,000
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Brief Comments:

A well developed dairy farm of 194.6 hectares divided into 48 main paddocks, accessed by a wide, well constructed laneway system, water supply for livestock from 3 electrified groundwater bores and extensive plantations of shelter belts throughout the property. Pasture of old species grasses in need of rejuvenation as the property had not been worked as a dairy farm for the last approx 6 months due to owners health issues. Buildings include a circa 1950's standard 3 bedroom conite home and garage set in an attractive garden, 40 unit rotary dairy with cup removers and automatic feed system and 11,600 litre vat, large calf shed, 2 large 5 bay machinery sheds/workshops and 2 hay sheds. Capable of carrying, in it as is state, approx 260 cows but replacement livestock and cutting hay/silage off the farm on additional land.

Analysis of sale price:

All up land & buildings price:	194.6 ha @	\$12,355 / ha	\$2,405,000
Buildings:		Estimated added value:	\$500,000
Ex buildings price:	194.6 ha @	\$9,786 / ha	\$1,905,000

2. 105 Spring Dam Rd Terang	May 2014	Undisclosed
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Brief Comments:

A very well developed and presented dairy farm of 343.99 hectares featuring excellent balance of soil types and fertility levels, strong established permanent perennial pasture sown throughout the entire property with absolute minimal weed infestation, comprehensive livestock water supply systems and wide laneways which have been maintained to a high standard. Well known in the district as being a highly productive farm and showing a very good gross income. Buildings include a standard 3 bedroom brick veneer home in a well presented state and although nothing out of the ordinary, provides comfortable accommodation, western red cedar cottage, further 2 basic type cottages, 50 unit rotary dairy equipped with cup removers and 21,000 litre vat, calf shed, machinery shed, 3 hay sheds and staff amenities facility.

Simultaneous with this sale, the vendor assigned the Lease (term 3 years) for 133.55 hectares directly opposite this sale property on the west side of Spring Dam Road. This lease property, having an irrigation licence for 300 mega litres, has 50.5 hectares under a pivot irrigator and 30.3 hectares under fixed sprinkler irrigation systems and the annual rent is \$90,000. The lessor of this lease property is Wannon Water Authority.

The sale and lease properties, having an aggregate area of 477.54 hectares, have been worked in conjunction as a single holding carrying on average 750 cows as well as replacement stock and hay/silage cut off the 477.54 hectares.

Analysis of sale price:

All up land & buildings price:		Undisclosed
Buildings:	Estimated added value:	Undisclosed
Ex buildings price:	343.99 ha @ \$12,442 / ha	\$4,280,000

Although I am aware of the sale price for Sale No 2, for confidential reasons, I have been instructed to not divulge the price.

[This sales evidence is included in this report in accordance with professional practice standards. It is collected and maintained on a confidential basis. This confidentiality must be respected and this information must not be stored or disseminated in any manner. The provisions of the Privacy Act 1988 (as amended) apply.]

An analysis of the recent sale for the subject property, in its state at the time of sale, is detailed as follows:

Sale price: \$4,100,000

In recognition of premium paid for adjoining owner purchase, the sale price has been adjusted downward 5% to \$3,895,000.

The apportionment of the adjusted sale price is:

Milking platform			
Buildings:	Estimated added value	\$725,000	
Land:	198.37 hectares @ \$11,603 per hectare	<u>\$2,301,687</u>	
	Total:		\$3,026,687
Runoff Portion			
Buildings:	Estimated added value	\$125,000	
Land:	81.12 hectares @ \$9,161 per hectare	<u>\$743,140</u>	
	Total:		\$868,140
	Overall Total:		\$3,894,827
	Rounded:		\$3,895,000

By way of anecdotal sale information, specifically in regard to the subject property, the former Milking Platform sold in 2006 for \$2,990,000 (\$15,073 per hectare) when the property was an absolute "top farm", and the former Runoff Property sold in 2007 for \$1,283,000 (\$15,016 per hectare), recognised at the time of sale to have sold at well above general levels of value.

In assessing the market value of the subject property it has been assumed various works improving the property have been completed including:

- Approximately 188.85 hectares of the property has been re-seeded with biannual species grass and which has not experienced damage from extreme seasonal conditions
- The network of open excavated earthen drains flow effectively to drain the property
- The dairy has been fitted with cup removers, teat spray system and computer feed system
- A feed pad has been constructed
- A pressure water supply system serves a trough in each paddock of the former runoff portion
- A formed laneway with fence along either side serves the paddocks throughout the former runoff portion of the property

At the time of sale of the subject property, as a standalone dairy farm, it historically milked 350-400 cows plus replacements and conserved on-farm silage and hay.

Assuming the next couple of years allow for full establishment of the pasture throughout the overall property and the entire property is used as a Milking Platform, it is anticipated the property could carry a milking herd of around 500 cows with replacement stock and hay/silage being off farm on leased land.

The valuation calculation by summation is detailed as follows:

Former Milking platform

Buildings:	Estimated added value	\$775,000	
Land:	198.37 hectares @ \$12,108 per hectare	<u>\$2,401,863</u>	
	Total:		\$3,176,863

Former Runoff Portion

Buildings:	Estimated added value	\$125,000	
Land:	81.12 hectares @ \$11,120 per hectare	<u>\$902,054</u>	
	Total:		\$1,027,054

Overall Total: \$4,203,917
Rounded: \$4,203,000

After careful calculation and consideration of the pertinent matters and subject to the comments contained within this report, I assess the market value of the subject property (unencumbered freehold or real estate interest), as described, as at the relevant date of 29 April 2014 to be:

FOUR MILLION TWO HUNDRED & THREE THOUSAND DOLLARS
(\$4,203,000)

(\$15,038 PER HECTARE OVERALL)

(GST EXCLUSIVE)

The valuation does not include any value for non fixed plant and equipment, livestock, hay or grain.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly, unexpectedly, over a relatively short period (including as a result of general market movements or factors specific to the particular property). I do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, I do not assume any responsibility or accept any liability where the assessment of value is relied upon after the expiration of three months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS:

This valuation report has been made with the following general assumptions and limiting conditions:

- No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matter, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of any or all liens, easements or encumbrances unless otherwise stated.
- The valuation is not intended as a structural survey, nor is it my standard reporting as to Title occupancies, other than to expose any apparent discrepancies, and therefore the valuation should not be construed as a land surveyors report.
- Information furnished by others, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
- Areas and dimensions of the property were obtained from the title and/or public records. Maps or sketches, if included in this report, are only to assist the reader in visualising the property and no responsibility is assumed for their accuracy. No independent surveys were conducted.
- No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the date hereof.
- Responsible ownership and competent property management are assumed.
- Full compliance with all applicable federal, state and local zoning, use, environment and similar laws and regulations is assumed, unless otherwise stated.

- The allocation, if any, in this report of the total valuation between components of the property applied only to the program of utilisation stated in this report. Separate values for any component may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.
- This valuation has been made on conformance with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Australian Property Institute (API).
- It is assumed that all required licences, certificates of occupancy, consents, or other legislative or administrative authority from any local, state or national government or private entitle or organisation have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- No soil analysis or geological studies were ordered or made in conjunction with this report.
- The client acknowledges and recognises that the Valuer is not expert in identifying environment hazards and compliance requirements affecting properties. The Valuer will endeavour to identify all matters of environmental concern and the effect they might have on the value of the property. However the Valuer will not be liable nor responsible for his failure to identify all such matters of environmental concern and the impact which any environment related issue has on the property and its value including loss arising from:
 - site contamination
 - the non-compliance with any environmental laws; or
 - costs associated with the clean-up of a property in which an environmental hazard has been recognised, including action by the Environmental Protection Authority to recover clean-up costs pursuant to the Environment Protection Act.
- It has been assumed that all improvements to the property comply with the terms and conditions of all relevant statutory and other authorities, except as detailed herein
- Future income rates, expense costs and property values will be determined by market forces. The figures used in our analysis are not a representation of a known or guaranteed future condition.

Yours faithfully



Roger M Cussen AAPI (Val)
Certified Practising Valuer No 61961

Appendices:

1. Copy of letter of Instruction

APA

Financial Services Limited

20 April 2014

Mr Roger Cussen
Roger Cussen Property Specialist
15 Fairy St
Warrnambool VIC 3280

By Email: rogercussen@iprimus.com.au

Hi Roger

Thank you again for your time and the valuable information you passed on to Nathan and me about the current market conditions last week. Always a big help for our education in the dairy industry.

I am just confirming on behalf of the Directors of the Company that we request that you to proceed with a valuation of the 417 Moreys Rd Brucknell farm. The instructions are issued to you by APA Financial Services Limited ABN 36 057 046 607 (the Company) and the valuation report is to be addressed to the Directors of the Company and Mr Ross Walker of Pitcher Partners GPO Box 1144 Brisbane QLD 4001.

The independent directors of the Company have appointed Mr Walker as an Independent Expert to provide a report to shareholders of the Company as to whether a number of transactions being proposed to its shareholders are fair and reasonable to them given that one or more transactions are ones in which a related party of a director of the Company has an interest. In order to provide that report and express an opinion, Mr Walker, as the IE needs to rely on a specialist in valuation of dairy farms to provide an assessment of the fair market value of the dairy farm at 417 Moreys Rd Brucknell and separately, in respect of the value of the associated livestock.

The farm at 417 Moreys Rd is owned by Trustees Australia Limited as trustee for the Australian Dairy Farms Trust ABN 92 472 779 170. It is proposed that as part of the same set of transactions, the Trust will acquire 463 Moreys Rd Brucknell from an unrelated third party.

As part of the business model of the Group, the two farms will be operated by the Company, as they are currently, in a different configuration from the time that 417 and 463 were operated by separate farmers. That is, on the basis of a single farm on each of the North and South sides of Moreys Rd so that non-milking out-paddocks on each farm are included in the milking platform of either the North or South farm. Considerable development work in terms of drainage and laneway construction has been undertaken to facilitate the new configuration and the second year of re-grassing and fertilising is currently underway to further refurbish all paddocks.

It will be necessary to provide a current fair market valuation of the component paddocks of 417 that comprised the original farm and which now comprise parts of both North and South farms. As discussed, the Directors would like to include a fair market valuation of each of the combined farms on the basis that they form two "new" farms being North and South of Moreys road and that the House section on 463 Moreys is to be excised and amalgamated / connected with the new South farm as the farm house for that farm.

I have attached to separate emails for your reference the following documents:

1. Vic Land titles searches for all land parcels of 417 and 463;

APA FINANCIAL SERVICES LTD

ABN 36 057 046 607

Level 1, 41 Edward Street, Brisbane QLD 4000 | GPO Box 6, Brisbane Qld 4001

Phone: +61 07 3020 3020 | Fax: +61 07 3020 3080

2. Copies of irrigation licences for 463

I will send recent production results and copies of the regressing and fertilisation programs which were undertaken in autumn last year and are being undertaken currently.

The contact details for Jacqui and Greg Roberts who are the Farm Managers onsite at 417 Moreys Rd farmhouse are as follows:

House [REDACTED] [REDACTED]

Please let them know when you are planning to do the inspection. Jacqui and Greg have been informed you will be visiting and that you are undertaking valuations for the capital raising process.

If you need anything further please don't hesitate to contact Nathan or me. Nathan's number is 0412 852 322 and email is nathanleman@trusteesau.com.au

Yours faithfully

APA FINANCIAL SERVICES LIMITED



Michael Hackett
Chairman

APPENDIX E – INDEPENDENT VALUATION OF THE COMBINED DAIRY FARMS

Roger Cussen
PROPERTY SPECIALIST

15 Fairy Street, Warrnambool 3280
Telephone: (03) 5562 7727
Facsimile: (03) 5562 9979
Email: rogercussen@iprimus.com.au

ABN 35 330 513 101

26 May 2014

Attention: Michael Hackett

The Directors
APA Financial Services Ltd
Level 1
41 Edward Street
BRISBANE QLD 4000

Attention: Ross Walker

Pitcher Partners
GPO Box 1144
BRISBANE QLD 4001

Dear Sirs

**MATTER OF: DIRECTORS OF APA FINANCIAL SERVICES LTD
REQUEST FOR AN INDEPENDENT EXPERT REPORT TO SHAREHOLDERS
NOTIONAL PROPERTY: NORTH MOREYS ROAD, BRUCKNELL
SOUTH MOREYS ROAD, BRUCKNELL**

In accordance with the email instruction dated 20 April 2014 from Michael Hackett (copy appended) in relation to the abovementioned matter, I confirm having personally inspected the proposed dairy farm properties referred to as North Moreys Road and South Moreys Road, Brucknell, for the purpose of a notional assessment of the fair market value of each property, as a standalone property, (unencumbered freehold or real estate interest) as described below, as at the date of my inspection of the properties, 29 April 2014, as part of supporting information for Mr Ross Walker, Pitcher Partners, acting as an Independent Expert to provide a report to shareholders of APA Financial Services Ltd.

The valuation report is effective as at the relevant date of 29 April 2014.

This valuation report has not been prepared for mortgage or security lending purposes and cannot be reassigned for that purpose.

The valuations take into account the unencumbered freehold only. They do not include any business goodwill component and it has been assumed realisable value is not comprised by the interests of any third parties (that is, unit holders or lessors for say plant and equipment). However the subject properties, each being a dairy farm, have certain infrastructure items regarded as being inherent with the property and these infrastructure items would most likely be included if the property were offered for sale. These infrastructure items include dairy plant (including motors, pumps, milking machines and vat), feed system (including motors, augers, mills and silos) and livestock water supply systems (including pumps, tanks, pipes and troughs).

This valuation report has also been prepared in accordance with the Australian Property Institute (API) Code of Professional Practice. The valuation report has also been prepared in accordance with the API Practice Standards and Guidance Notes.

The definition of market value has been based on that adopted by the Australian & New Zealand Valuation and the International Assets Valuation Standards Committee (IVSC) defined as follows:

"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

The valuation of each property is also based on the assumption:

- The price at which the property might reasonably be expected to be sold at the relevant date of valuation
- A willing buyer and willing seller
- The property is offered for sale with vacant possession
- It is placed on the open market for sale with an appropriate advertising/marketing campaign including method of selling, most likely private sale or expression of interest
- A reasonable period within which to negotiate the sale, taking into account the nature of the property and the state of the market
- The usual terms and unconditional contract of sale apply including payment of 10% deposit and full settlement of balance of purchase price in 90/120/150 days
- That no account has been taken of any higher price that might be paid by a purchaser with a "special interest".

A reasonable selling period for the subject properties is believed to be up to 12 months for assessing the realisation of each property.

The scope of the work undertaken by me in completing the valuation has included:

- Collation of information from relevant parties regarding the subject property
- Undertaking my own research regarding the subject property
- An inspection of the property
- Undertaking market research in terms of values and sales of other somewhat similar properties
- Preparation of valuation calculations
- Preparation of this report

The valuer certifies that he is qualified in the state of Victoria to value various classes of real property and in particular, Rural & Agri Business Assets, whilst not limited to such holdings.

I confirm that I have no past, present or proposed pecuniary interest in the subject properties that could reasonably be regarded as being capable of affecting my ability to give an unbiased opinion as to the market value of the subject properties.

For the purposes of this advice, and in accordance with the terms of my instructions, much of the usual comprehensive commentary associated with a property valuation report is considered unwarranted in this instance, apart from a brief synopsis of each notional property, but I have commented more specifically in relation to sales evidence considered pertinent in providing a guide as to value, albeit limited, and my valuation rationale or methodology.

As indicated in the letter of instruction, as part of a number of proposed transactions associated with Trustees Australia Ltd as trustee for the Australian Dairy Farms Trust, the two existing properties, situate and known as 417 Moreys Road and 463 Moreys Road, until recently were each a farm made up of a "milking platform" plus a "runoff/outpaddock", but now each farm being entirely set up as a "milking platform" with the running of replacement livestock and cutting hay/silage being off farm on leased land.

As part of the operation of the business model of Trustees Australia Ltd as trustee for Australian Dairy Farms Trust, the existing properties 417 Moreys Road and 463 Moreys Road will be reconfigured, the "new milking platform" farms to be referred to as North Moreys Road and South Moreys Road and in this context, an assessment of the current market value of each "new" farm is required.

Each of the "new" farms have been regarded notionally as a standalone property, despite one title for existing property 463 Moreys Road (Volume 7407 Folio 273) having not been subdivided to excise the house and curtilage land on say 1.62 hectares to incorporate with South Moreys Road farm.

A brief overview of each property is detailed as follows:

NORTH MOREYS ROAD

Title Particulars:	1. Crown Grant Volume 8331 Folio 989 Crown Allotment 39 Parish of Brucknell	82.97 hectares
	2. Certificate of Title Volume 7885 Folio 154 Crown Allotment 40 Parish of Brucknell	83.02 hectares
	3. Part Crown Grant Volume 7407 Folio 273 Part Crown Allotment 38 Parish of Brucknell	Say <u>91.24</u> hectares

NOTE: Title area: 92.86 hectares
Less House & curtilage: 1.62 hectares
91.24 hectares

Total: 257.23 hectares

Buildings:

Home

Circa 1980's single storey design, brick veneer perimeter walls, cement tile roof, accommodation includes 3 bedrooms (master ensuite), 2 living rooms. Good level of presentation and provides comfortable living conditions

Garage

Standard structure for 2 cars

Dairy

Circa 2000, 50 unit rotary dairy having a 21,000 litre vat, automatic feed system and 400 cow yard. Good state of repair in every respect

NOTE: For the purpose of this valuation, it has been assumed the following intended works to the dairy have been entirely completed and are fully operational: installation of a computer feed system, automatic teat spray system, automatic cup removal system and development of a feed pad

Machinery Shed/Workshop

High clearance, fully enclosed structure. Structurally sound and in excellent order

- **Located on former 463 Moreys Road**

Calf Shed

Built with secondhand material, semi enclosed walls and skillion type roof. Fair to reasonable order

Machinery Shed

Standard type structure, slightly dated, 6 bay design. Reasonable condition

Hay Shed

Basic "Settlement" type structure in fair order

Cattle Yards:

1 set, a standard type of steel construction

SOUTH MOREYS ROAD

Title Particulars: 1. Part Crown Grant Volume 7407 Folio 273 Say 1.62 hectares
Part Crown Allotment 38 Parish of Brucknell

NOTE: Title area: 92.86 hectares
Less portion of land 91.24 hectares
treated as North Moreys Rd 1.62 hectares

2. Certificate of Title Volume 8738 Folio 431 32.37 hectares
Lot 1 Plan of Subdivision 080501

3. Crown Grant Volume 8976 Folio 615 109.17 hectares
Crown Allotment 51 Parish of Brucknell

4. Certificate of Title Volume 11121 Folio 157 51.92 hectares
Lot 2 Plan of Subdivision 600193R

5. Certificate of Title Volume 6269 Folio 740 81.12 hectares
Crown Allotment 68A Parish of Brucknell

Total: 276.20 hectares

Buildings:

- **Located on 1.62 parcel of land**

Home

Circa 1980's single storey design, project type quality, brick veneer perimeter walls, cement tile roof, accommodation includes 3 bedrooms (master ensuite). Good average level of presentation and provides comfortable living conditions

Garage

Two car incorporated in overall design and under main roofline of home

Disused Dairy

Obsolete structure of nominal value

- **Located directly on south side of Moreys Road**

Dairy

Circa 2010, 50 unit rotary having 34,000 litre vat, automatic cup removers, automatic teat spray system, computerised herd identification system, automatic feed system and 500 cow yard. Excellent condition

Calf Shed

Former woolshed converted and extended for use as a calf shed. Structurally sound and in good order

Hay Shed

Standard type structure

- **Located on former runoff property**

Cottage

Circa 1960's single storey design, hardiplank perimeter walls, colorbond roof, standard design and standard quality finish. Structurally sound, average level of presentation

Machinery Shed & Garage/Workshop

Standard type structures

Cattle Yard

1 set, of timber construction

General Remarks:

The proposed properties are located within the locally referred to "Golden Triangle" (basically bound by the Princes Highway from Warrnambool to Camperdown and the Great Ocean Road from Warrnambool to Timboon), the recognised, established, long-standing, well regarded dairying district of south west Victoria. Warrnambool, the provincial city serving south west Victoria approximately 50 kilometres from the subject property, provides comprehensive commercial, professional, educational, medical and recreational services and amenities and as an alternative on a smaller scale, there is Terang or Camperdown, 35 and 45 kilometres respectively from the subject property and on a small scale, there is Timboon, 12 kilometres from the subject property.

Each property, features productive soils, is entirely arable land, has a good balance of soil types and is primarily relatively flat land with some scattered depressions through which a network of shallow excavated earthen drains, constructed in early 2014, facilitate runoff drainage. The friable top soil and heavier sub soil are capable of supporting heavy grazing of an established well managed perennial pasture.

The existing old species pasture, primarily perennial and to a lesser extent annual species grasses, is being rejuvenated under a program where a highly experienced dairy industry Agronomist has prepared a staged program and who it is intended will manage and monitor the pasture rejuvenation program including appropriate rates of application of fertiliser.

For the purpose of this valuation, it has been assumed favourable seasonal conditions will prevail to allow satisfactory establishment of the permanent perennial pasture with minimal weeds throughout the entire property and in 3 or so years, the density, vigour and composition of the pasture will be capable of sustaining continual strong grazing.

Adequate livestock water supply is provided to each property under a pressure pump system, supplying 4,500 litre troughs located in each paddock, fed through a 50mm underground poly pipeline from groundwater bores, each fitted with an electric pressure pump plus a large catchment gully embankment dam, also having an electric pressure pump specifically serving South Moreys Road.

Each property is subdivided into varying size paddocks primarily around 4.5 hectares, accessed off an internal laneway system. The fencing, of varying construction, is supported by an electrified wire and is in good stockproof condition. The properties are adequately subdivided, the layout of paddocks allows for effective management and the laneways are of an adequate width for easy movement of livestock and machinery and are in a good state of repair.

Each property is considered to be capable of carrying within the next 3 or so years, approximately 500 cows but naturally dependent on seasonal conditions, however replacement stock and cutting of hay/silage would be off farm on additional leased land.

The properties represent an already good, sound, sizeable dairy farm, having very good calibre infrastructure in respect to the various buildings, livestock water supply system and extent of paddock subdivision and further benefits in being within an assured, reliable rainfall belt. Assuming favourable seasonal conditions prevail for the next 3 or so years, the pasture rejuvenation program introduced early 2014, and which has already enhanced each property and as the "new" pasture continues to develop in density, vigour and composition during the next 3 or so years, there should be a continued trend of increased milk production. Subject to an overall proactive management regime, each property has the capacity to run some 500 cows with running of replacements and cutting hay on leased land.

Surfacewater Licence No 9031390, valid until 30 June 2023, which applies to South Moreys Road allows an Irrigation use specifically only on Crown Allotment 51. From my enquiry to Southern Rural Water, without disclosing this Licence I was advised in addition to use for Irrigation, use for Livestock & Domestic purposes is an automatic as of right use.

However in actual fact this Licence is serving not only Crown Allotment 51, but also Crown Allotment 68A as the source of water supply for livestock purposes. In this regard, Southern Rural Water advised a request to accordingly amend this Licence would be favourably considered and approved.

The proposed business model of operating as North Moreys Road and South Moreys Road provides distinct opportunities in regard to implementing and undertaking a day to day consistent effective management regime and to also benefit from economies of scale.

MARKET COMMENTARY

The rural market sector appeared to go into hibernation during 2011. Both values and sales activity had declined from the record peak in early 2009 and stabilised during the first half of 2012 to be followed by a general improvement in market sentiment during the latter half of 2012. Demand had been limited by poor seasonal results, credit limitations and volatile commodity prices. A better season has improved confidence generally. Since the market peak, overall south west Victoria has shown a decline in the order of 25% from the peak of the market and continues to be weak.

There are several factors influencing the rural property market at present:

Firstly, seasonal conditions: We have seen two wet summers in a row, a shift away from the long-term rainfall pattern. An early break has brought forward farming activity although a dry spring affected the outlook.

Secondly, finance: The banking sector has tightened lending criteria to the rural sector with higher equity requirements and the withdrawal of interest only loans. Risk management has also seen a greater emphasis on cash flow rather than security value with analysis showing farm gross margins placing limitations on borrowing. As a consequence, the rural sector needs to find additional cash to fund expansion, farm development and new purchases. This has reduced the number of active prospective purchasers in the market.

Thirdly, commodity prices: Commodity prices have been volatile, the continued strength of the Australian dollar is affecting export price and demand for Australian rural sector commodities. Farm gross margins are also under pressure from rising costs.

General confidence across much of the rural sector is now being testing due to volatile commodity prices, reduced gross margins and tighter credit control by the lenders. Demand for rural property has improved marginally, although prospective purchasers are generally finding it more difficult to obtain funding than during the market peak. This is evidenced by the decline in rural sales volume, a fall in values, increased selling periods and an increase in level of mortgagee activity in the rural market segment. Some demand is being generated by prudent city based investors, corporate and international buyers and larger successful family farming enterprises. Agents specialising in the marketing of rural property generally are reporting a decline in buyer activity with a limited and discerning number of buyers available.

The rural market is currently characterised as a "buyers market" with demand increasing. To date, the compulsion placed on financially stressed vendors to meet the market although has been measured. Changes in rural property values over the next 12 months will continue to be dictated principally by economic conditions, farm profitability, seasonal conditions and support from the banking sector.

With specific reference to the rural property market around the Warrnambool district, from my enquiry the extremely limited recent sales evidence for rural property "points" to the present prevailing flat market.

VALUATION RATIONALE

This valuation has been determined following an analysis of relevant sales information. In arriving at the current market value, I have had regard to the nature, size and location of each property, the design, layout and quality of the improvements and the productive potential of each property. The summation of land value and the added value of improvements approach has been used as the primary method of valuation, with a check method by direct comparison on an all inclusive per hectare basis. The pertinent sales evidence, albeit limited, has been apportioned a value to the land and an estimated added value for the buildings. The analysed levels of land and buildings values have then been applied to the subject property and adjusted where necessary based on my experience.

The intended use of each property, as a large scale dairy farm, is considered to be the highest and best use of the property.

MARKET EVIDENCE

In considering the assessment of value, I have had regard to the available evidence of relevant district sales, the local market is thinly traded due to limited demand and although there have been quite a few recent sales of large scale dairy farms in south west Victoria, but importantly outside the "Golden Triangle", which have been sold under bank foreclosure circumstances and these farms have been let go in recent years and have therefore been disregarded as providing parameters as to value.

Other than the sale of the subject property in early 2014, from my extensive enquiry and extensive network of "contacts", I am aware of two recent sizeable dairy farms which were freely sold on the open market and not under financial duress circumstances which are detailed as follows:

Address	Sale Date	Sale Price
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1. 434 Dingey Rd Narringal	Apr 2014	\$2,405,000
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Brief Comments:

A well developed dairy farm of 194.6 hectares divided into 48 main paddocks, accessed by a wide, well constructed laneway system, water supply for livestock from 3 electrified groundwater bores and extensive plantations of shelter belts throughout the property. Pasture of old species grasses in need of rejuvenation as the property had not been worked as a dairy farm for the last approx 6 months due to owners health issues. Buildings include a circa 1950's standard 3 bedroom conite home and garage set in an attractive garden, 40 unit rotary dairy with cup removers and automatic feed system and 11,600 litre vat, large calf shed, 2 large 5 bay machinery sheds/workshops and 2 hay sheds. Capable of carrying, in it as is state, approx 260 cows but replacement livestock and cutting hay/silage off the farm on additional land.

Analysis of sale price:

All up land & buildings price:	194.6 ha @	\$12,355 / ha	\$2,405,000
Buildings:	Estimated added value:		\$500,000
Ex buildings price:	194.6 ha @	\$9,786 / ha	\$1,905,000

2. 105 Spring Dam Rd Terang	May 2014	Undisclosed
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Brief Comments:

A very well developed and presented dairy farm of 343.99 hectares featuring excellent balance of soil types and fertility levels, strong established permanent perennial pasture sown throughout the entire property with absolute minimal weed infestation, comprehensive livestock water supply systems and wide laneways which have been maintained to a high standard. Well known in the district as being a highly productive farm and showing a very good gross income. Buildings include a standard 3 bedroom brick veneer home in a well presented state and although nothing out of the ordinary, provides comfortable accommodation, western red cedar cottage, further 2 basic type cottages, 50 unit rotary dairy equipped with cup removers and 21,000 litre vat, calf shed, machinery shed, 3 hay sheds and staff amenities facility.

Simultaneous with this sale, the vendor assigned the Lease (term 3 years) for 133.55 hectares directly opposite this sale property on the west side of Spring Dam Road. This lease property, having an irrigation licence for 300 mega litres, has 50.5 hectares under a pivot irrigator and 30.3 hectares under fixed sprinkler irrigation systems and the annual rent is \$90,000. The lessor of this lease property is Wannon Water Authority.

The sale and lease properties, having an aggregate area of 477.54 hectares, have been worked in conjunction as a single holding carrying on average 750 cows as well as replacement stock and hay/silage cut off the 477.54 hectares.

Analysis of sale price:

All up land & buildings price:		Undisclosed
Buildings:	Estimated added value:	Undisclosed
Ex buildings price:	343.99 ha @ \$12,442 / ha	\$4,280,000

Although I am aware of the sale price for Sale No 2, for confidential reasons, I have been instructed to not divulge the price.

[This sales evidence is included in this report in accordance with professional practice standards. It is collected and maintained on a confidential basis. This confidentiality must be respected and this information must not be stored or disseminated in any manner. The provisions of the Privacy Act 1988 (as amended) apply.]

In assessing the market value of each property, it has been assumed various works improving each property are complete.

Assuming the next couple of years allow for full establishment of the pasture throughout each property and each property is entirely used as a Milking Platform, it is anticipated each property could carry a milking herd of around 500 cows with replacement stock and hay/silage being off farm on leased land.

NORTH MOREYS ROAD

Land:	Portion 417 Moreys Road on north side 165.99 hectares @ \$12,108 per hectare	\$2,009,806
	Portion 463 Moreys Road on north side (excluding house and curtilage area of 1.62 hectares) 91.24 hectares @ \$11,670 per hectare	\$1,064,770
Buildings:	Estimated added value	<u>\$835,000</u>
	Overall Total:	\$3,909,576
	Rounded:	\$3,909,500

SOUTH MOREYS ROAD

Land:	Portion 417 Moreys Road having direct frontage to south side Moreys Road plus curtilage site of 1.62 hectares 33.99 hectares @ \$12,108 per hectare	\$411,550
	Portion identified as "Outblock" 81.12 hectares @ \$11,120 per hectare	\$902,054
	Portion 463 Moreys Road having direct frontage to south side Moreys Road 109.17 hectares @ \$11,985 per hectare	\$1,308,402
	Portion identified as "Dead Freddy" 51.92 hectares @ \$9,885 per hectare	\$513,229
Buildings:	Estimated added value	\$937,300
Irrigation Licence:	In situ value	<u>\$75,000</u>
	Overall Total:	\$4,147,535
	Rounded:	\$4,147,500

After careful calculation and consideration of the pertinent matters and subject to the comments contained within this report, I assess the market value of the subject properties (unencumbered freehold or real estate interest), as described, as at the relevant date of 29 April 2014 as follows:

NORTH MOREYS ROAD

**THREE MILLION NINE HUNDRED & NINE THOUSAND FIVE HUNDRED DOLLARS
(\$3,909,500)**

(\$15,198 PER HECTARE OVERALL)

SOUTH MOREYS ROAD

**FOUR MILLION ONE HUNDRED & FORTY-SEVEN THOUSAND FIVE HUNDRED DOLLARS
(\$4,147,500)**

(\$15,015 PER HECTARE OVERALL)

(GST EXCLUSIVE)

The valuation does not include any value for non fixed plant and equipment, livestock, hay or grain.

This valuation is current as at the date of valuation only. The value assessed herein may change significantly, unexpectedly, over a relatively short period (including as a result of general market movements or factors specific to the particular property). I do not accept liability for losses arising from such subsequent changes in value. Without limiting the generality of the above comment, I do not assume any responsibility or accept any liability where the assessment of value is relied upon after the expiration of three months from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS:

This valuation report has been made with the following general assumptions and limiting conditions:

- No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matter, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is further assumed to be free and clear of any or all liens, easements or encumbrances unless otherwise stated.
- The valuation is not intended as a structural survey, nor is it my standard reporting as to Title occupancies, other than to expose any apparent discrepancies, and therefore the valuation should not be construed as a land surveyors report.
- Information furnished by others, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information.
- Areas and dimensions of the property were obtained from the title and/or public records. Maps or sketches, if included in this report, are only to assist the reader in visualising the property and no responsibility is assumed for their accuracy. No independent surveys were conducted.
- No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the date hereof.
- Responsible ownership and competent property management are assumed.
- Full compliance with all applicable federal, state and local zoning, use, environment and similar laws and regulations is assumed, unless otherwise stated.
- The allocation, if any, in this report of the total valuation between components of the property applied only to the program of utilisation stated in this report. Separate values for any component may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

- This valuation has been made on conformance with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Australian Property Institute (API).
- It is assumed that all required licences, certificates of occupancy, consents, or other legislative or administrative authority from any local, state or national government or private entitle or organisation have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- No soil analysis or geological studies were ordered or made in conjunction with this report.
- The client acknowledges and recognises that the Valuer is not expert in identifying environment hazards and compliance requirements affecting properties. The Valuer will endeavour to identify all matters of environmental concern and the effect they might have on the value of the property. However the Valuer will not be liable nor responsible for his failure to identify all such matters of environmental concern and the impact which any environment related issue has on the property and its value including loss arising from:
 - site contamination
 - the non-compliance with any environmental laws; or
 - costs associated with the clean-up of a property in which an environmental hazard has been recognised, including action by the Environmental Protection Authority to recover clean-up costs pursuant to the Environment Protection Act.
- It has been assumed that all improvements to the property comply with the terms and conditions of all relevant statutory and other authorities, except as detailed herein
- Future income rates, expense costs and property values will be determined by market forces. The figures used in our analysis are not a representation of a known or guaranteed future condition.

Yours faithfully



Roger M Cussen AAPI (Val)
Certified Practising Valuer No 61961

Appendices:

1. Copy of letter of Instruction

APA

Financial Services Limited

20 April 2014

Mr Roger Cussen
Roger Cussen Property Specialist
15 Fairy St
Warrnambool VIC 3280

By Email: rogercussen@iprimus.com.au

Hi Roger

Thank you again for your time and the valuable information you passed on to Nathan and me about the current market conditions last week. Always a big help for our education in the dairy industry.

I am just confirming on behalf of the Directors of the Company that we request that you to proceed with a valuation of the 417 Moreys Rd Brucknell farm. The instructions are issued to you by APA Financial Services Limited ABN 36 057 046 607 (the Company) and the valuation report is to be addressed to the Directors of the Company and Mr Ross Walker of Pitcher Partners GPO Box 1144 Brisbane QLD 4001.

The independent directors of the Company have appointed Mr Walker as an Independent Expert to provide a report to shareholders of the Company as to whether a number of transactions being proposed to its shareholders are fair and reasonable to them given that one or more transactions are ones in which a related party of a director of the Company has an interest. In order to provide that report and express an opinion, Mr Walker, as the IE needs to rely on a specialist in valuation of dairy farms to provide an assessment of the fair market value of the dairy farm at 417 Moreys Rd Brucknell and separately, in respect of the value of the associated livestock.

The farm at 417 Moreys Rd is owned by Trustees Australia Limited as trustee for the Australian Dairy Farms Trust ABN 92 472 779 170. It is proposed that as part of the same set of transactions, the Trust will acquire 463 Moreys Rd Brucknell from an unrelated third party.

As part of the business model of the Group, the two farms will be operated by the Company, as they are currently, in a different configuration from the time that 417 and 463 were operated by separate farmers. That is, on the basis of a single farm on each of the North and South sides of Moreys Rd so that non-milking out-paddocks on each farm are included in the milking platform of either the North or South farm. Considerable development work in terms of drainage and laneway construction has been undertaken to facilitate the new configuration and the second year of re-grassing and fertilising is currently underway to further refurbish all paddocks.

It will be necessary to provide a current fair market valuation of the component paddocks of 417 that comprised the original farm and which now comprise parts of both North and South farms. As discussed, the Directors would like to include a fair market valuation of each of the combined farms on the basis that they form two "new" farms being North and South of Moreys road and that the House section on 463 Moreys is to be excised and amalgamated / connected with the new South farm as the farm house for that farm.

I have attached to separate emails for your reference the following documents:

1. Vic Land titles searches for all land parcels of 417 and 463;

APA FINANCIAL SERVICES LTD

ABN 36 057 046 607

Level 1, 41 Edward Street, Brisbane QLD 4000 | GPO Box 6, Brisbane Qld 4001

Phone: +61 07 3020 3020 | Fax: +61 07 3020 3080

2. Copies of irrigation licences for 463

I will send recent production results and copies of the regressing and fertilisation programs which were undertaken in autumn last year and are being undertaken currently.

The contact details for Jacqui and Greg Roberts who are the Farm Managers onsite at 417 Moreys Rd farmhouse are as follows:

House [REDACTED] [REDACTED]

Please let them know when you are planning to do the inspection. Jacqui and Greg have been informed you will be visiting and that you are undertaking valuations for the capital raising process.

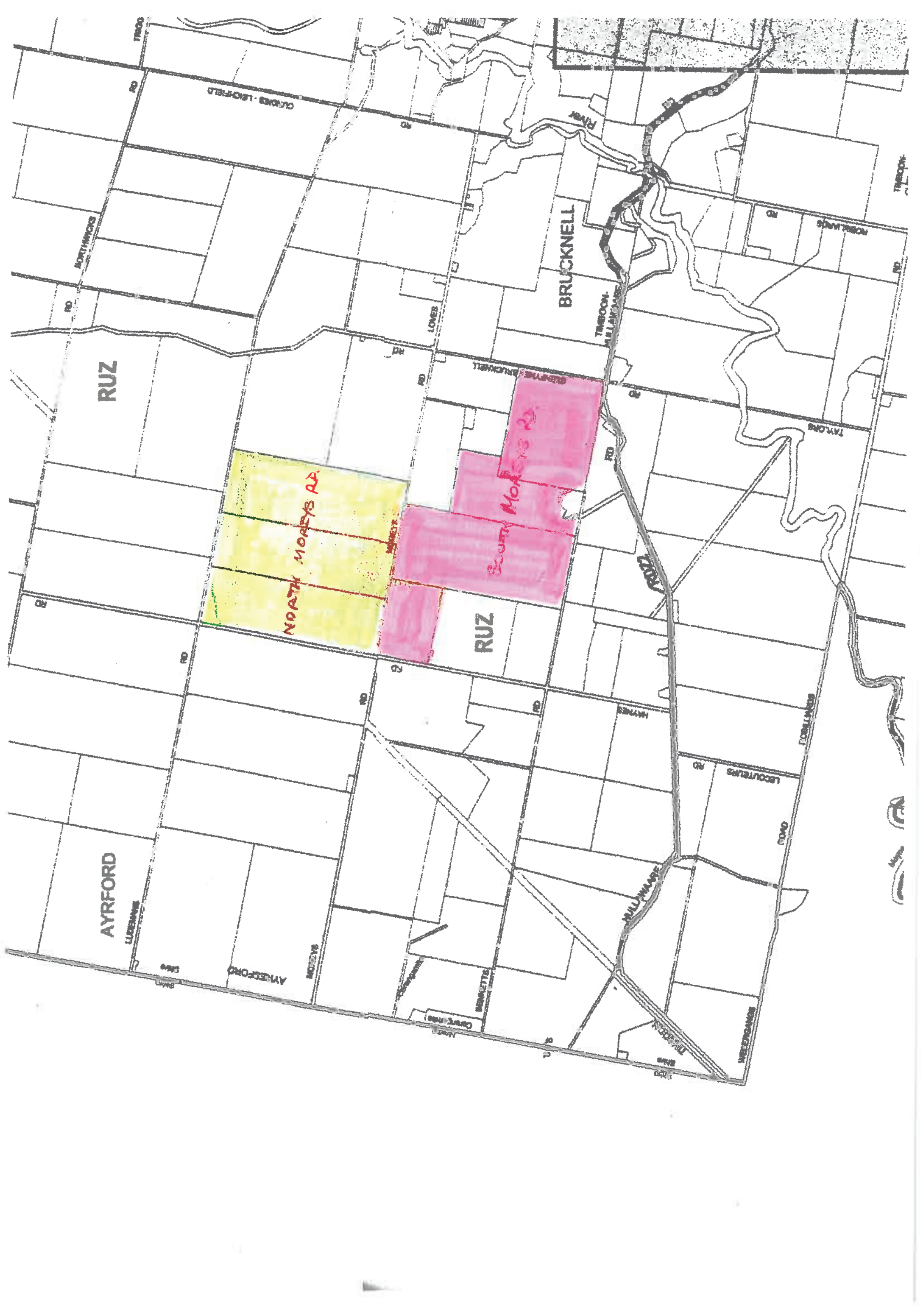
If you need anything further please don't hesitate to contact Nathan or me. Nathan's number is 0412 852 322 and email is nathanleman@trusteesau.com.au

Yours faithfully

APA FINANCIAL SERVICES LIMITED



Michael Hackett
Chairman



RUZ

BRUCKNELL

NORTH MORISYS AA

South Morisys Rd

RUZ

AYRFORD

LIXEMANS

AYRFORD

SAIZON

CHATELAIN

MINIETTE

MILLWASTE

LECOURBUS

ODNO

FOURTEEN

TAYLORS

TABOON -
MILLWASTE

BRUCKNELL

LOWES

BORTHWICKS

CLUBS - LEICFIELD

TINCO

TINCO

ROSLARNS

CA

CA

[Name and Address]

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an 'X' and make the correction on the form. Securityholders sponsored by a broker should advise your broker of any changes. Please note, you cannot change ownership of your securities using this form.

YOUR VOTE IS IMPORTANT

FOR YOUR VOTE TO BE EFFECTIVE IT MUST BE RECORDED BEFORE 10.30AM ON 30 AUGUST 2014

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 Appointment of Proxy

Indicate here who you want to appoint as your Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chairman of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a security holder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an 'Appointment of Corporate Representative' prior to admission. An Appointment of Corporate Representative form can be obtained from the company's securities registry.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's securities registry or you may copy this form.

To appoint a second proxy you must:

- (a) complete two Proxy Forms. On each Proxy Form state the percentage of your voting rights or the number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

STEP 2 Voting Directions to your Proxy

You can tell your Proxy how to vote

To direct your proxy how to vote, place a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

STEP 3 Sign the Form

The form must be signed as follows:

Individual: This form is to be signed by the securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders must sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. Please indicate the office held by signing in the appropriate place.

STEP 4 Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below not later than 48 hours before the commencement of the meeting (ie the Proxy Form must be received by 10.30am (EST) on 30 August 2014). Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxies may be lodged using the reply paid envelope or:

BY MAIL - APA Financial Services Limited GPO Box 6 Brisbane QLD 4001

BY FAX - +61 7 3020 3080

BY EMAIL - shareholders@apafs.com.au

Attending the Meeting

If you wish to attend the meeting please bring this form with you to assist registration.

Shareholder Details

Name:
 Address:
 Contact Telephone No:
 Contact Name (if different from above):

STEP 1 - Appointment of Proxy

I/We being a member/s of APA Financial Services Limited and entitled to attend and vote hereby appoint

the Chairman of the Meeting (mark with an 'X') OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

Or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy at the General Meeting of APA Financial Services Limited to be held on **1 September 2014 at 10.30am (EST) at Ether Conference Centre, Earth Room, 265 Little Bourke Street, Melbourne Victoria** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%

STEP 2 - Voting directions to your Proxy - please mark to indicate your directions

Resolution	Description	For	Against	Abstain
Resolution 1A	Sale of main undertaking			
Resolution 1B	Change to nature and scale of activities			
Resolution 2	Change of Company name			
Resolution 3	Adoption of New Constitution			
Resolution 4	Consolidation of capital and Stapling			
Resolution 5	Trustees Australia Transaction			
Resolution 6	Election of Keith Jackson as a Director			
Resolution 7	Issue of Stapled Securities under the Public Offer			
Resolution 8	Issue of Stapled Securities to Michael Hackett in lieu of Director's fees			
Resolution 9	Issue of Stapled Securities to Adrian Rowley in lieu of Director's fees			
Resolution 10	Issue of Stapled Securities to Graham Anderson in lieu of Director's fees			
Resolution 11	Officer protection deed - Michael Hackett			
Resolution 12	Officer protection deed - Adrian Rowley			
Resolution 13	Officer protection deed - Jerome Jones			
Resolution 14	Approval of increase in Directors' fees			
Resolution 15	Long term incentive plan			

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 3 - Please sign here

This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1	Securityholder 2	Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name Contact Daytime Telephone

Date / / 2014