

# Australian Dairy Farms Group

APA Financial Services Limited ASX code APP

## PROSPECTUS & PRODUCT DISCLOSURE STATEMENT

APA Financial Services Limited to be renamed Australian Dairy Farms Limited ABN: 36 057 046 607  
Trustees Australia Limited (ABN: 42 010 653 862) (AFSL: 260033) as Responsible Entity for the Australian Dairy Farms Trust (ARSN: 600 601 689)

For:

- a priority offer of 10,000 Stapled Securities at an issue price of \$0.20 each, to Eligible Shareholders of APA Financial Services Limited and Trustees Australia Limited.
- a public offer of up to 72,500,000 Stapled Securities at an issue price of \$0.20 each to raise up to \$14.5 million.

ASX Code for APA Financial Services Limited: APP

Proposed ASX code for the Australian Dairy Farms Group: AHF



This is an important document which requires your careful attention. It should be read in its entirety. If you are in any doubt about what to do, you should consult your professional advisor without delay. Securities offered under this Offer Document are speculative.

LEAD MANAGER

**BELL POTTER**



## IMPORTANT NOTICE

This Prospectus and Product Disclosure Statement (Offer Document) is dated 20 August 2014 and was lodged with ASIC on that date (Lodgement Date). Neither ASIC, ASX nor any of their respective officers take any responsibility for the contents of this Offer Document or the merits of the investment to which this Offer Document relates. Neither the Group nor any other party associated with the preparation of this Offer Document guarantees that any specific objective of the Company and its Stapled Securities will be achieved.

**Purpose and expiry:** This Offer Document is a prospectus for the purposes of Chapter 6D of the Corporations Act in relation to the Shares and a product disclosure statement for the purposes of Chapter 7 of the Corporations Act in relation to the Units. This Offer Document expires as a prospectus 13 months after the Lodgement Date and no securities will be allotted or issued on the basis of this Offer Document later than that date. Application will be made to ASX within 7 days after the date of this Offer Document for the quotation of the Stapled Securities the subject of this Offer Document.

**Foreign restrictions:** The distribution of this Offer Document in jurisdictions outside Australia or New Zealand may be restricted by law. Persons who come into possession of this Offer Document should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are residents in countries other than Australia or New Zealand should consult their professional advisers as to whether any governmental or other consent is required or whether any other formalities need to be considered and followed.

This document must not be distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy securities in the United States. Any securities described in this document have not been and will not be, registered under the US Securities Act 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act 1933 and applicable US state securities law.

This Offer Document does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No person is authorised to provide any information or make any representation in connection with the Offers which is not contained in this Offer Document. Any information or representation not contained in this Offer Document may not be relied on as having been authorised by the Group in connection with the Offers.

**Consolidation:** All references to securities in this Offer Document are, unless otherwise stated, made on the basis that the 5 : 1 Consolidation, for which approval is being sought at the Shareholder Meeting to be held on 1 September 2014, is implemented.

**Web Site – Electronic Offer Document:** A copy of this Offer Document is available and can be downloaded from the websites of the Company at [www.apafs.com.au](http://www.apafs.com.au) and Trustees Australia at [www.trusteesau.com.au](http://www.trusteesau.com.au). Any person accessing the electronic version of this Offer Document for the purpose of making an investment in the Group must be an Australian resident and must access the Offer Document from within Australia only. Persons who access the electronic version of this Offer Document should ensure that they download and read the entire Offer Document.

**Application form:** The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Offer Document or it accompanies the complete and unaltered version of this Offer Document. Any person may obtain a paper copy of this Offer Document free of charge by contacting the Group. If you have received this Offer Document as an electronic Offer Document, please ensure that you have received the entire Offer Document accompanied by the Application Form. If you have not, please contact the Group and the Group will send you, for free, either a paper copy or a further electronic copy of the Offer Document or both.

The Group reserves the right not to accept an Application from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Offer Document and any relevant supplementary or replacement Offer Document or any of those documents were incomplete or altered.

**Changes in nature and scale of activities and re-compliance with Chapters 1 and 2 of the Listing Rules:** At the Shareholder Meeting the Company will be seeking, amongst other things, approval to change the nature and scale of its activities. If Shareholders approve, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company will be suspended from official quotation from the time of closure of the Shareholder Meeting and will not be reinstated until ASX approves the Company's re-compliance with Chapters 1 and 2 of the Listing Rules. There is a risk that the Company may not be able to meet the requirements of ASX for re-quotation on the ASX. In the event the Company does not receive conditional approval for re-quotation on ASX then the Group will not proceed with the Offers and will repay all application monies received without interest.

**Suitability of investment & risks:** The information in this Offer Document is not investment advice, and the Offers do not take into account the investment objectives, financial situation and particular needs of investors. Before deciding to invest in the Group prospective investors should read this Offer Document entirely and, in particular, the summary of the Group's business in section 1 and the risk factors in section 5. They should carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional advice from their accountant, stockbroker, lawyer or other professional adviser before deciding to invest. Any investment in the Stapled Securities should be regarded as speculative.

**Definitions and currency:** Certain terms and abbreviations used in this Offer Document have defined meanings which are explained in the Glossary. References to currency are to Australian dollars, unless otherwise stated.

**Exposure Period:** This Offer Document is subject to an exposure period of 7 days from the Lodgement Date by 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 Offer Document to be examined by market participants prior to the raising of funds. If this Offer Document is found to be deficient, any Application Form received during the exposure period will be dealt with in accordance with the Corporations Act. Application Forms received during the exposure period will not be processed until after the exposure period. No preference will be conferred on Application Forms received in the exposure period and all Application Forms received during the exposure period will be treated as if they were simultaneously received on the Opening Date (as set out in timetable).

**References to material lodged with ASIC:** In preparing this Offer Document, the Group may refer to certain information that is contained in documents that have been lodged with ASIC. Persons have a right to obtain copies of such documents from the Group free of charge from the Company's website, [www.apafs.com.au](http://www.apafs.com.au).

**Privacy:** By submitting an Application Form, you consent to the matters outlined in section 14.10 of this Offer Document.

**Cooling Off:** Applicants have no cooling off rights in relation to the Stapled Securities offered under this Offer Document.

**Up to date information:** Information in this Offer Document must be up to date as at the time when it is given. Information which is not materially adverse, may be subject to change from time to time and may be updated and made available on the Group's website [www.apafs.com.au](http://www.apafs.com.au) and a paper copy of any updated information may be supplied free of charge, by contacting the Company Secretary on 07 3020 3020.

A supplementary Offer Document will be issued where updated information requires the issue of a supplementary offer document in accordance with the Corporations Act.

**Photographs and diagrams:** Photographs used in this Offer Document which do not have descriptions are for illustration purposes only. Diagrams used in this Offer Document are illustrative only and may not be drawn to scale.



# CONTENTS

	page	
1	INVESTMENT OVERVIEW	6
2	OFFERS AND USE OF FUNDS	18
3	OVERVIEW OF THE AUSTRALIAN DAIRY INDUSTRY	21
4	AUSTRALIAN DAIRY FARMS GROUP	27
5	RISK FACTORS	32
6	DIRECTORS, MANAGEMENT AND GOVERNANCE	39
7	FINANCIAL INFORMATION	46
8	INVESTIGATING ACCOUNTANT’S REPORT	56
9	MATERIAL AGREEMENTS	60
10	DETAILS OF THE OFFERS	69
11	RIGHTS AND LIABILITIES ATTACHING TO SECURITIES	76
12	TAXATION IMPLICATIONS	84
13	FEES AND OTHER COSTS	86
14	ADDITIONAL INFORMATION	89
15	DIRECTORS’ RESPONSIBILITY AND CONSENT	98
16	GLOSSARY	99
	PUBLIC OFFER APPLICATION FORM	103
	BROKER FIRM OFFER APPLICATION FORM	105
	CORPORATE DIRECTORY	107

The Australian Dairy Farms Group is proposing to enter the Australian dairy industry as a farm owner and operator to produce fresh milk for sale to milk processors.

The Group intends to progressively aggregate dairy farms in prime dairy producing regions of Victoria and over time become a major and profitable supplier of milk.

The Group is structured as a Stapled Security comprising one share in Australian Dairy Farms Limited and one unit in Australian Dairy Farms Trust.

Subject to ASX approval, the Group will be listed under the ASX code "AHF".

The Group proposes by this Offer Document to raise up to \$14.5 million in new capital by the Offers of Stapled Securities.



## TIMETABLE TO THE PUBLIC OFFER

Offer Document lodged with ASIC and ASX	20 August 2014
Record date to determine eligibility for the Priority Offer	22 August 2014
Public Offers and Broker Firm Offers open. Priority Offer dispatched to Eligible Shareholders	28 August 2014
Company's Shares suspended from trading and Shareholder Meeting	1 September 2014
Closing date for Offers	17 September 2014
Record date for consolidation and Stapling	25 September 2014
Issue of securities under the Stapling Issue and Offers and dispatch of holding statements	26 September 2014
Trading of Stapled Securities expected to commence	1 October 2014

Dates in this Offer Document are indicative only. The Group reserves the right to amend any or all of these dates subject to applicable laws, or to withdraw the Offers 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.

## KEY OFFER TERMS

	Minimum Subscription <sup>1</sup>	Maximum Subscription
Offer price per Stapled Security (cents)	20	20
Number of Stapled Securities issued under the Offers	37,500,000	72,500,000
Amount raised under the Offers	\$7,500,000	\$14,500,000
Number of Stapled Securities on issue following Completion <sup>2</sup>	50,472,347	85,472,347
Market capitalisation at the Offer Price <sup>3</sup>	\$10,100,000	\$17,100,000
Net tangible assets (NTA) per Stapled Security (cents)	11.6	14.5

1 The Lead Manager has received firm commitments to subscribe for 42,500,000 Stapled Securities, meaning the Minimum Subscription has been reached.

2 In addition, the Group will issue Loyalty Options to eligible Securityholders and the Convertible Notes to Trustees Australia. See sections 2.3 and 9.8 for details.

3 Market capitalisation is determined by multiplying the number of Stapled Securities on issue by the price at which the Stapled Securities trade on ASX from time to time. Stapled Securities may not trade at the Offer Price after listing. If Stapled Securities trade below the Offer Price after listing, the market capitalization may be lower.



## CHAIRMAN'S LETTER

### To Eligible Shareholders and New Investors

On behalf of the Board and as a substantial shareholder in the Group, I am genuinely pleased to be able to invite you to participate in what my co-directors and I believe is exciting opportunity to invest in an important segment of the global food demand growth cycle.

Australian Dairy Farms Group is focused on producing fresh milk for sale to milk processors and the global market, a strategy which the Directors believe has sound prospects for increasing securityholder value and returns. Australian Dairy Farms Group is to be an ASX listed stapled security comprising one Share in Australian Dairy Farms Limited (currently known as APA Financial Services Limited) as the dairy farm operator and manager; and one Unit in Australian Dairy Farms Trust as the owner of the farm land, buildings and improvements.

The Group gives the opportunity to:

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

Australian Dairy Farms Group aims to become a lead participant in aggregating dairy farms, initially in the prime South West Victoria dairy region, by maximising the volume of fresh milk produced.

By this Offer Document the Group seeks to raise new capital of up to \$14.5 million through an offer of Stapled Securities. Eligible Shareholders in the Company and Trustees Australia will be offered a Priority Offer of 10,000 Stapled Securities. I am encouraged that the Lead Manager has received firm commitments under the Offers for \$8.5 million; exceeding the Offers' Minimum Subscription.

Additionally, the Group will issue Loyalty Options (exercise price 25 cents and exercisable by 31 March 2016) for no consideration on the basis of one free Loyalty Option for every two Stapled Security held on the date 4 weeks from the Group listing. Loyalty Options will vest depending upon the number of Stapled Securities held on a vesting date 4 months after the Group lists on ASX.

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

Of course, as with any investment, there are always risks associated. Some risks are outlined at section 5. Please carefully consider this Offer Document, read it in its entirety, and if necessary seek professional advice, to make an informed decision.

My fellow directors and I recommend the Offers to new investors and encourage existing Shareholders to retain their existing holdings in the Company and to also consider extending their holdings by taking up the Priority Offer of Stapled Securities.

Yours faithfully

**Michael Hackett**

Chairman

**APA Financial Services Limited**

**Trustees Australia Limited (as responsible entity for the Australian Dairy Farm Trust)**



# 1 INVESTMENT OVERVIEW







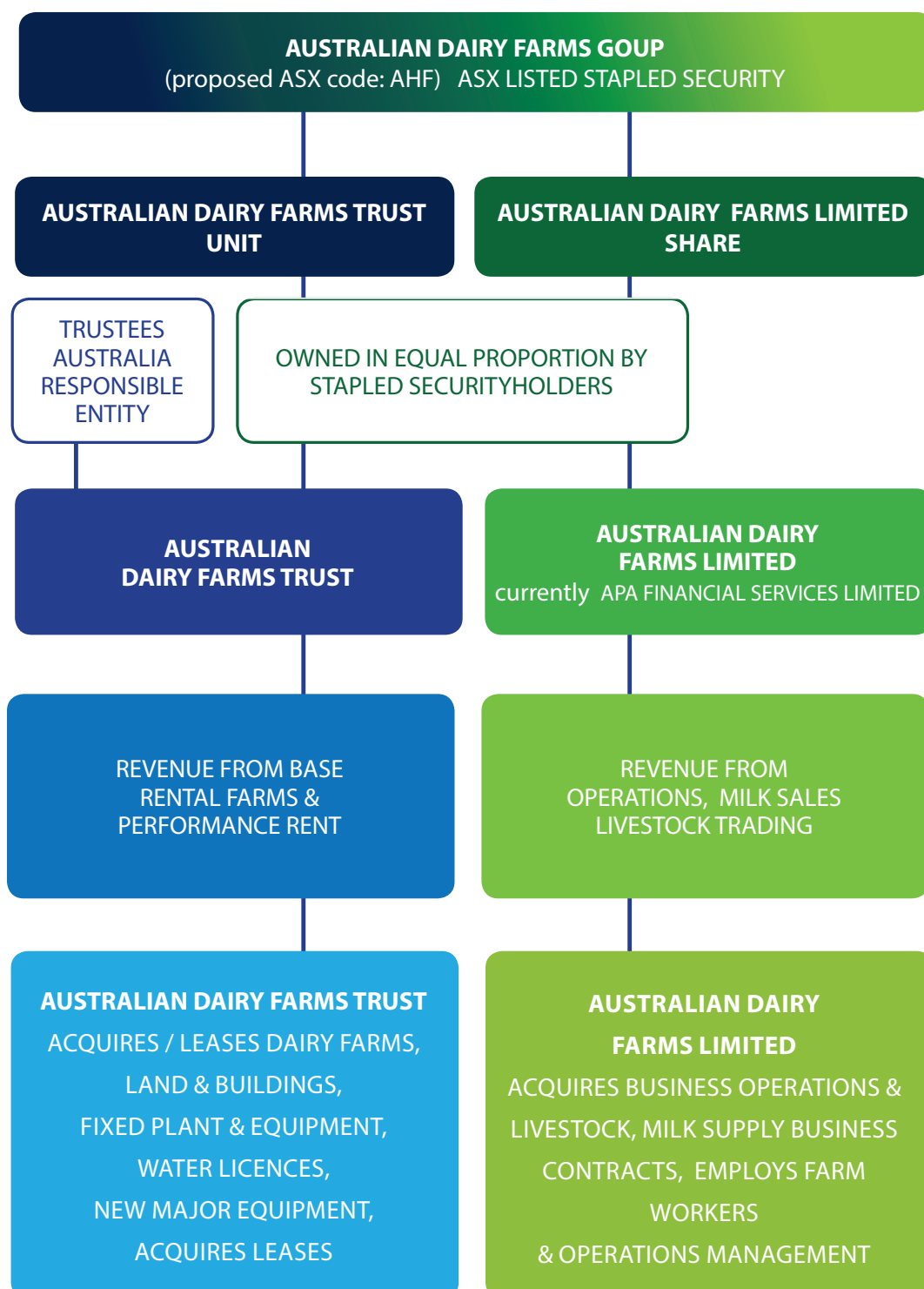
# 1 INVESTMENT OVERVIEW

This information is a selective overview only. Prospective investors should read the Offer Document in full, including the Investigating Accountant's Report before deciding to invest in Stapled Securities.

Question	Response	See Section
<b>Group overview</b>		
Who is issuing this Offer Document?	<p>APA Financial Services Limited (ABN: 36 057 046 607) (<b>Company</b>) to be renamed Australian Dairy Farms Limited and Trustees Australia Limited (ABN: 42 010 653 862) (AFSL 260033) as responsible entity for the Australian Dairy Farm Trust (ARSN: 600 601 689) (<b>Trust</b>) (together the <b>Group</b>).</p> <p>While the Company and the Trust are separate legal entities, their securities will be stapled and they will effectively operate as a single economic entity, comprising the Company as the farm manager and business operator and the Trust as the owner of the underlying farm properties.</p>	Section 4
What is the purpose of the Offers?	<p>The purpose of the Offers is to:</p> <ul style="list-style-type: none"><li>• raise between \$7.5m and \$14.5m at \$0.20 per Stapled Security, to be used for the purposes set out in section 2.2;</li><li>• satisfy the admission requirements to ASX so that the Group can be listed on ASX and have ongoing access to capital to pursue acquisitions and growth; and</li><li>• broaden the securityholder base.</li></ul>	Section 2
What is the Group's business?	<p>The Group will acquire and operate dairy farms in South West Victoria to supply fresh milk to one or more of the several competing milk processors, such as Fonterra and Warrnambool Cheese and Butter.</p>	Section 4



Question	Response	See Section
How are the assets and business of the Group structured?	<p>The Company will own and operate the dairy farms, and the Trust will own the underlying land, buildings and improvements. Investors will hold an equal number of Shares and Units, which may only be traded together.</p> <p>Following is the structure following Completion:</p>	Section 4.1







Question	Response	See Section
<b>Existing farms</b>		
What farms has the Group acquired?	<p>At the time of listing on ASX, the Group will own two adjoining producing dairy farms, known as the Brucknell Farms, at Brucknell near Warrnambool in South Western Victoria's "Golden Triangle" dairy region.</p> <p>The Brucknell Farms contain approximately 536 hectares in total plus a separate parcel of leased land of 108 hectares, which is used for rearing younger livestock. From July 2014, the Brucknell Farms have had a carrying capability of approximately 1,350 livestock with an average of 1,000 cows in milk throughout the year. During the 2014 financial year, the farms operated at a lower stocking capacity whilst development work and reconfiguration of paddocks was completed in autumn 2014.</p> <p>During financial year 2014 and whilst carrying a lower livestock rate, the Farms averaged annual production of approximately 8,240 litres of milk per cow in milk.</p>	Section 4.4
<b>Investment highlights</b>		
What are the benefits of investing in the Group?	<p>The Group provides an opportunity to invest in an ASX listed owner and operator of Australian dairy farms through the corporate consolidation of Australia's fragmented dairy supply industry, with an initial focus on Victoria.</p> <p>The benefits of investing in the Group include the following:</p> <ul style="list-style-type: none"><li>• Direct exposure to an ASX listed investment in the supply side of the Australian dairy industry.</li><li>• Exposure to a renewable food commodity export market with promising growth potential over significant timeframes.</li><li>• It is an industry which has prospects for significant growth in global demand for dairy products and potentially increases in the value of the dairy farm properties.</li></ul>	Section 4
What will drive securityholder returns?	<ul style="list-style-type: none"><li>• Operations – exposure to earnings and cashflows. The Company's business model is to generate revenue and profit through selling milk. Growth is expected to be achieved through increased productivity and milk sale prices that may result from acquiring farms and increasing scale.</li><li>• Property – exposure to dairy farm capital value growth. The Trust's business model is to acquire high quality dairy farms at fair market value, which have scope for capital growth through capital improvements and better management.</li></ul>	Section 3



Question	Response	See Section
What is the rationale for consolidation of the milk sector?	<ul style="list-style-type: none"> <li>• Scale - revenue synergies, processors have excess capacity and actively seek security of milk supply.</li> <li>• Scale – cost synergies and bulk purchasing power.</li> <li>• Inefficiencies - the average Australian dairy farms are producing at well below their production potential.</li> <li>• Farm prices / timing – farm prices remain at cyclical lows in premier dairy regions of Australia, while milk prices are at near cyclical highs with significant latent growth in global demand predicted.</li> </ul>	Section 3
Why is the Group initial focus South West Victoria?	<p>Victoria produces around 65% of Australia’s milk, of which 86% is converted for export.</p> <p>The Group will focus on the “Golden Triangle” in South West Victoria region initially as it is regarded as one of Australia’s premier dairy producing region, with the following attributes:</p> <ul style="list-style-type: none"> <li>• Consistent and favourable rainfall.</li> <li>• Close to major processors including Fonterra, Murray Goulbourn, Warrnambool Cheese &amp; Butter and Bega.</li> <li>• Close to major regional centres such as Warrnambool and only 3 hours from Melbourne’s CBD.</li> <li>• Generally good soil, good water and other farm qualities.</li> </ul>	Section 3
Why is the time right to consolidate the Victorian dairy sector?	<ul style="list-style-type: none"> <li>• The market is highly fragmented with mostly family owned farms and a relatively high average farmer age which supports supply of available farms.</li> <li>• Dairy farm prices remain subdued which creates an opportunity for relatively affordable acquisitions.</li> <li>• There is strong and continually increasing demand from processors for fresh milk to supply growing global markets.</li> <li>• Global demand growth for milk products and recent price trends indicate a secular change in the potential for greater return on farm investment.</li> </ul>	Section 3
What is the Group’s medium term strategy?	<p>In the medium term the Group aims to purchase additional farms, use scale to deliver revenue and cost synergies and produce 50m+ litres of production per year within 2 years.</p>	Section 4



Question	Response	See Section
What is the Group's long term strategy?	<p>Step 1: Acquisition - establish initial production foothold in one of Australia's premier dairy regions, retain existing experienced operational and farm management and consultants and raise capital and list on ASX.</p> <p>Step 2: Productivity - improve existing production and livestock intensification, drive cost efficiencies with scale and deliver earnings to securityholders.</p> <p>Step 3: Scale - purchase additional farms in same region, use scale to drive both revenue and cost synergies and achieve critical mass (circa 16 farms, aim for 50m litres per year within 2 years).</p> <p>Step 4: Replicate / Expand - potential to replicate in other Australian dairy regions (Gippsland, Northern Tasmania) and become one of Australia's leading independent producers of milk and to drive stronger "price maker" supply contracts with processors.</p> <p>Longer term possibilities – Joint venture on dairy processing plants; repurchase agreements for processed product, export opportunities in higher margin end products and joint ventures to take model overseas.</p>	Section 4
<b>Management and governance</b>		
Who is the Responsible Entity?	Trustees Australia Limited, an ASX listed company which holds AFSL authorisations to act as a responsible entity of certain managed investment schemes.	Section 6.2
Who will manage the Group and the farm businesses?	<p>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.</p> <p>As additional farms are acquired, operational supervisory managers will be appointed and a tight knit executive team will be progressively assembled.</p>	Section 6
Who are the Directors of the Group?	<p>The Directors of the Company are:</p> <ul style="list-style-type: none"> <li>• Michael Hackett (Chairman);</li> <li>• Adrian Rowley;</li> <li>• Graham Anderson (retiring Director); and</li> <li>• Keith Jackson (proposed Director).</li> </ul> <p>The Responsible Entity Directors are:</p> <ul style="list-style-type: none"> <li>• Michael Hackett (Chairman);</li> <li>• Kerry Daly; and</li> <li>• Nathan Leman.</li> </ul>	Section 6





Question	Response	See Section																				
What benefits are being paid to Directors and Proposed Director?	<table><thead><tr><th></th><th>Board remuneration</th><th>Other compensation</th></tr></thead><tbody><tr><td>Mr Hackett (Chairman)</td><td>\$40,000</td><td>See section 6</td></tr><tr><td>Mr Rowley</td><td>\$30,000</td><td>Nil</td></tr><tr><td>Mr Anderson<sup>1</sup></td><td>\$30,000</td><td>Nil</td></tr><tr><td>Mr Jackson<sup>2</sup></td><td>\$30,000</td><td>Nil</td></tr></tbody></table> <p><sup>1</sup> Mr Anderson will retire at Completion.</p> <p><sup>2</sup> Mr Jackson will be appointed as a Director from Completion.</p> <p>Shareholder approval is being sought at the Meeting to increase the total annual fees payable to non-executive Directors to \$350,000.</p> <p>Directors are also entitled to be reimbursed for expenses such as travelling and accommodation costs and professional indemnity insurance costs.</p>		Board remuneration	Other compensation	Mr Hackett (Chairman)	\$40,000	See section 6	Mr Rowley	\$30,000	Nil	Mr Anderson <sup>1</sup>	\$30,000	Nil	Mr Jackson <sup>2</sup>	\$30,000	Nil	Section 6					
	Board remuneration	Other compensation																				
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What other benefits are being given?	<p>Trustees Australia, an entity controlled by Michael Hackett, is selling plant and equipment and livestock to the Company. It will also receive fees as responsible entity of the Trust as set out in section 13.</p> <p>Shareholder approval is being sought at the Meeting to establish a Long Term Incentive Plan to provide shareholder incentives to the Group’s personnel. Directors may, with Securityholder approval, participate in the Plan.</p>	Section 6.6																				
What interests in Stapled Securities will be held by Directors?	<p>Following the Offers, the Directors’ interests in the Group will be as follows:</p> <table><thead><tr><th></th><th>Stapled Securities</th><th>% Minimum Subscription</th><th>% Maximum Subscription</th></tr></thead><tbody><tr><td>Mr Hackett (Chairman)</td><td>4,549,065</td><td>9.01</td><td>5.32</td></tr><tr><td>Mr Rowley</td><td>1,823,986</td><td>3.62</td><td>2.15</td></tr><tr><td>Mr Anderson</td><td>1,344,003</td><td>2.66</td><td>1.59</td></tr><tr><td>Mr Jackson</td><td>None</td><td>None</td><td>None</td></tr></tbody></table> <p>Mr Hackett controls Trustees Australia, and his holding includes Stapled Securities held by Trustees Australia. Trustees Australia will also hold Convertible Notes.</p> <p>The above assumes Shareholders approve the issue of 775,000 Stapled Securities (on a post-Consolidated basis) to the Directors in lieu of unpaid directors’ fees.</p>		Stapled Securities	% Minimum Subscription	% Maximum Subscription	Mr Hackett (Chairman)	4,549,065	9.01	5.32	Mr Rowley	1,823,986	3.62	2.15	Mr Anderson	1,344,003	2.66	1.59	Mr Jackson	None	None	None	Section 6
	Stapled Securities	% Minimum Subscription	% Maximum Subscription																			
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Mr Rowley	1,823,986	3.62	2.15																			
Mr Anderson	1,344,003	2.66	1.59																			
Mr Jackson	None	None	None																			



Question	Response	See Section
<b>Key risks</b>		
Limited track record	<p>The Group is adopting a new business model in seeking to aggregate and operate dairy farms, and has a limited track record.</p> <p>The Trust has owned the Brucknell No 2 Farm since June 2013 and it has been operated by DFI Brucknell (the vendor of the Brucknell No 1 Farm) under a sharefarming arrangement. This will terminate at Completion, at which time the Group will operate both Brucknell Farms. There is a risk that the Brucknell Farms may not operate as the Group expects.</p>	Section 5.1(a)
Acquisition risk	<p>The Group will actively seek to acquire additional dairy farms which it believes there is scope to improve farm yields and returns. There are risks associated with acquisition, including pricing and integration risks and that any acquisitions do not fulfil the Group's investment criteria.</p> <p>Furthermore, the Group's business model is reliant upon generating a return for Securityholders through achieving scale and efficiencies from acquiring further farms. Without successful acquisitions there is a risk that the Group's business model may not be successful.</p>	Section 5.1(b)
Milk prices	<p>Milk prices are set by Australian and global markets depending on the product type, seasonal demand and tariffs.</p>	Section 5.1(c)
Seasonal and operational risks	<p>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.</p>	Sections 5.1(e) and 5.1(f)
Key management risks	<p>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. No assurance is 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.</p>	Section 5.1(d)
Other risks	<p>In addition to the above risks, an investment in the Group is also subject to general economic and capital markets risks. Investors are urged to carefully read the risks section of this Offer Document and seek independent professional advice if they have any queries.</p>	Section 5



Question	Response	See Section																		
<b>Financial information</b>																				
What is the financial position of the Group?	<p>Following is a selected summary of the Group's pro forma balance sheet as at 30 June 2014:</p> <table> <tr> <th>Following Completion</th><th>Minimum Subscription (\$,000)</th><th>Maximum Subscription (\$,000)</th></tr> <tr> <td>Net tangible assets</td><td>5,836</td><td>12,416</td></tr> <tr> <td>Cash</td><td>1,878</td><td>6,458</td></tr> <tr> <td>Debt (including Convertible Note)</td><td>6,350</td><td>4,350</td></tr> <tr> <td>Gearing ratio<sup>1</sup></td><td>50.7%</td><td>25.4%</td></tr> <tr> <td>Market capitalisation<sup>2</sup></td><td>10,094</td><td>17,094</td></tr> </table> <p><sup>1</sup> Total debt divided by total assets.</p> <p><sup>2</sup> Assuming the Stapled Securities trade at the Offer price.</p> <p>The pro forma balance sheet includes the following adjustments as if they occurred on 30 June 2014:</p> <ul style="list-style-type: none"> <li>• capital raising and costs of the Offers;</li> <li>• adjustments for the acquisition of the Brucknell No 1 Farm; and</li> <li>• issues of Stapled Securities to the Directors in lieu of unpaid Directors' fees.</li> </ul> <p>This Offer Document contains financial information about the Company and the Trust, which is set out in the Investigating Accountant's Report and includes a pro-forma balance sheet.</p>	Following Completion	Minimum Subscription (\$,000)	Maximum Subscription (\$,000)	Net tangible assets	5,836	12,416	Cash	1,878	6,458	Debt (including Convertible Note)	6,350	4,350	Gearing ratio <sup>1</sup>	50.7%	25.4%	Market capitalisation <sup>2</sup>	10,094	17,094	Sections 7 and 8
Following Completion	Minimum Subscription (\$,000)	Maximum Subscription (\$,000)																		
Net tangible assets	5,836	12,416																		
Cash	1,878	6,458																		
Debt (including Convertible Note)	6,350	4,350																		
Gearing ratio <sup>1</sup>	50.7%	25.4%																		
Market capitalisation <sup>2</sup>	10,094	17,094																		
Will the Group pay dividends and distributions?	<p>In the first year of operation, the Group's focus will be on generating regular income from business operations and securing additional farms. In the longer term the Directors expect to see capital growth from the appreciation in value of the underlying assets of prime Australian dairy farms.</p> <p>It is not expected that dividends or distributions will be paid in the first year although it is anticipated that following years will see both dividends and distributions paid to Securityholders.</p>	Section 4.7																		
<b>Material Contracts</b>																				
What important contracts has the Group entered into?	<p>The Group is a party to the following contracts with others:</p> <ul style="list-style-type: none"> <li>• Land, livestock and equipment acquisition agreements under which the Group will acquire the Brucknell No 1 Farm including certain plant and equipment for \$4.395 million.</li> <li>• Lease agreements under which the Company will lease the Brucknell Farms from the Trust with, due to the Stapled Security structure, internalised lease payments.</li> <li>• Loan agreements in relation to the Interim Funding loans with Trustees Australia, which will be repaid in part from the</li> </ul>	Section 9																		





Question	Response	See Section
	<p>proceeds of the Offers, and the issue of Convertible Notes.</p> <ul style="list-style-type: none"> <li>• Convertible Notes to be held by Trustees Australia, and which convert to Stapled Securities at \$0.20 each or may be redeemed 2 years from issue.</li> <li>• Loan agreements with CBA, secured by first ranking mortgages over the Brucknell Farms.</li> <li>• Stapling Deed between the Company and the Trust, which facilitates stapling of Shares and Units.</li> <li>• Deed of appointment and retirement of the responsible entity of the Trust, under which Trustees Australia will retire as responsible entity of the Trust once the Convertible Notes are redeemed or converted and an internal (i.e. wholly owned subsidiary of the Company) responsible entity is appointed.</li> <li>• Listing Agreement, under which the Group and others agree to implement the Proposal.</li> </ul> <p>Summaries of the key terms of these contracts are included in this Offer Document.</p>	

#### Offer overview

What are the terms of the Offer?	<p>The Offers consist of:</p> <ul style="list-style-type: none"> <li>• the Priority Offer, which is an offer to Eligible Shareholders of the Company and Trustees Australia, and under which applicants are guaranteed an allocation of at least 10,000 Stapled Securities;</li> <li>• the Broker Firm Offer to investors who have received a broker firm allocation letter; and</li> <li>• the Public Offer to members of the general public in Australia and New Zealand.</li> </ul> <p>To date the Group has received firm commitments under the Broker Firm Offer for \$8.5 million.</p>	Section 10
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How will the proceeds of the Offers be used?	<p>Funds raised under the Offers 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> <tr> <th></th><th>Minimum Subscription (\$,000)</th><th>Maximum Subscription (\$,000)</th></tr> <tr> <td>Land acquisition</td><td>4,640</td><td>4,640</td></tr> <tr> <td>Livestock, plant and equipment</td><td>1,210</td><td>1,210</td></tr> <tr> <td>Debt repayment</td><td>1,150</td><td>2,150</td></tr> <tr> <td>Further acquisitions</td><td>0</td><td>3,000</td></tr> <tr> <td>Working and development capital</td><td>1,490</td><td>3,070</td></tr> <tr> <td>Costs of the Offers</td><td>760</td><td>1,180</td></tr> <tr> <td>Total</td><td>9,250</td><td>15,250</td></tr> </table>		Minimum Subscription (\$,000)	Maximum Subscription (\$,000)	Land acquisition	4,640	4,640	Livestock, plant and equipment	1,210	1,210	Debt repayment	1,150	2,150	Further acquisitions	0	3,000	Working and development capital	1,490	3,070	Costs of the Offers	760	1,180	Total	9,250	15,250	Section 2.2
	Minimum Subscription (\$,000)	Maximum Subscription (\$,000)																								
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Working and development capital	1,490	3,070																								
Costs of the Offers	760	1,180																								
Total	9,250	15,250																								



Question	Response	See Section
Broker Firm Offer firm commitments	The Broker Firm Offer includes a cornerstone process conducted prior to this Offer Document being lodged with ASIC. Certain institutional and sophisticated investors have committed to the Lead Manager to subscribe for approximately 42,500,000 Stapled Securities under the Broker Firm Offer. The firm commitments are subject to terminating events set out in the Lead Manager's engagement letter.	Sections 9.13 and 10.9
What are the fees and expenses of the Offers?	The fees and expenses of the Offers include Lead Manager's fees and other capital raising costs, marketing, legal, accounting and professional fees, and stamp duty.	Section 14.12
What are the Loyalty Options?	Eligible Securityholders who hold Stapled Securities on the record date, being 4 weeks after the admission of the Group to the Official List, will be issued for no consideration, one Loyalty Options for every two Stapled Securities held. The Loyalty Options will vest depending upon the number of Stapled Securities held 4 months after the Group's admission to ASX.	Sections 2.3 and 11.3
What are the conditions of the Offer?	<p>The Offers are conditional upon, amongst other things:</p> <ul style="list-style-type: none"> <li>• The Group raising the Minimum Subscription.</li> <li>• Shareholders passing the Resolutions to approve the Proposal.</li> <li>• The Company re-complying with the admission requirements for re-admission to ASX.</li> </ul> <p>The Group has received firm commitments for an amount in excess of the Minimum Subscription, subject to the terms of the Lead Manager's mandate, and this condition has been satisfied.</p> <p>In the event the conditions are not met the Company will return all Application moneys without interest and the Offer will not proceed.</p>	Section 10.2
Will the Stapled Securities be quoted?	Subject to Shareholder approval and the Group successfully completing the Offers and re-complying with Chapters 1 and 2 of the Listing Rules, the Stapled Securities will trade on the ASX under the symbol 'AHF'.	Section 10.10
Is there a cooling off period?	There is no cooling off period under the Offers as the Stapled Securities are to be quoted on ASX.	Section 14.4
What is the dispute resolution procedure to deal with complaints?	The Group has appointed the Financial Ombudsman Service to assist in any disputes relating to financial services complaints.	Section 14.11



Question	Response	See Section
<b>Tax</b>		
What are the significant tax implications?	The structure of the Group is a typical structure used in investment funds particularly for direct property fund investments.	Section 12
<b>Other information</b>		
How can I obtain further advice?	By speaking to your accountant, stockbroker or other professional advisor.	



## 2 OFFER AND USE OF FUNDS







## 2 OFFERS AND USE OF FUNDS

### 2.1 OFFERS

Under the Offers 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. The Offers are conditional upon, amongst other things, raising at least the Minimum Subscription, 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 has received firm commitments for \$8.5 million which (subject to terms of the Lead Manager's mandate) satisfying the Minimum Subscription condition.

### 2.2 USE OF FUNDS

Funds raised by the Group under the Offers together with the Company's existing funds and borrowings from the CBA (**Borrowings**) will, after repayment and /or equity conversions Interim Funding, will be used broadly as follows:

Source of funds	Minimum Subscription (\$,000)	Maximum Subscription (\$,000)
Funds raised from the Offers	7,500	14,500
Funds raised from Borrowings <sup>1</sup>	1,750	750
<b>Total amount raised</b>	<b>9,250</b>	<b>15,250</b>

<sup>1</sup> The Borrowings will be secured by a first ranked mortgage over the Trust's real property assets.

Application of funds	Minimum Subscription (\$,000)	Maximum Subscription (\$,000)
Acquisition of Brucknell No 1 Farm (including duty and other transaction costs)	4,640	4,640
Acquire Plant and Equipment and Livestock	1,210	1,210
Repay Interim Funding (including interest) <sup>1</sup>	1,150	2,150
Further farm acquisition deposits and due diligence	0	3,000
Working and development capital	1,490	3,070
Costs of implementing the Proposal (including the Offers)	760	1,180
<b>Total</b>	<b>9,250</b>	<b>15,250</b>

<sup>1</sup> 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 6.6 for details.

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

If, in the event, the amount raised under the Offers is less than the Maximum Subscription, but more than the Minimum Subscription, after accounting for the reduced costs of the Offers 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. Assuming no further funds are raised under the Offers other than \$8.5 million in firm commitments received and after the additional costs of the Offers, approximately \$315,000 will be applied towards further acquisitions, \$315,000 towards repaying Interim Funding and \$315,000 for working capital.



### 2.3 LOYALTY OPTION ISSUE

To reward existing Shareholders and new subscribers under the Offers, the Group intends to make a pro rata offer of Loyalty Options to all Securityholders on the Loyalty Option Record Date, being 4 weeks from listing, with a registered address in Australia, New Zealand and other countries where the Group determine Loyalty Options can be issued without disclosure. One Loyalty Option will be issued for nil consideration for every 2 Stapled Securities held.

The Loyalty Options will have an exercise price of 25 cents and expiry date of 31 March 2016. The number of Loyalty Options to vest is the lesser of the number held on the vesting date (being 4 months from the Group listing on ASX) and the number of Stapled Securities held on the vesting date divided by 2. Any Loyalty Options which do not vest automatically lapse

The vesting condition means that Securityholders issued Loyalty Options must, on the vesting date, hold 2 Stapled Securities for each Loyalty Option they hold and wish to exercise. Examples of the effect of the vesting condition are set out in section 11.3.

The issue is conditional upon the Group being admitted to the Official List of ASX.





### 3 OVERVIEW OF THE AUSTRALIAN DAIRY INDUSTRY





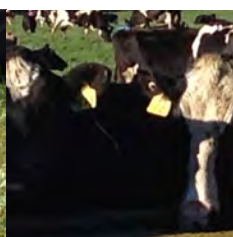
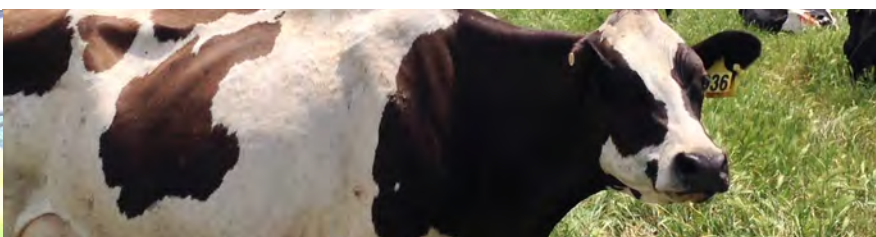
### 3 OVERVIEW OF THE AUSTRALIAN DAIRY INDUSTRY

#### 3.1 DAIRY AT A GLANCE

The table below highlights some key features of the Australian dairy industry in the 2012/13 financial year and gives an insight into how dairy contributes to Australia's social and economic wellbeing.

National Dairy Herd	1.65 million cows	
Average Herd Size	258 cows	
Milk Production	9,200 million litres	
Average Annual Milk Production Per Cow	5,525 litres	
Australia's 3rd Largest Rural Industry	\$13 billion farm, manufacturing and export industry	
Milk Utilisation	Cheese	33 %
	SMP/butter	28 %
	Drinking milk	27%
	WMP	9%
	Other	3 %
Production of Main Commodities	Milk Powders	333,000 tonnes
	Cheese	338,000 tonnes
	Butter (CBE)	118,200 tonnes
Dairy - Major Export Industry 7 % of world dairy trade	\$2.76 billion	
Percentage Of Australian Milk Production Exported	40%	
Major Markets For Australian Dairy Products (including 2,524,500 of drinking milk)	Australia	2,999,200 tonnes
	Greater China	129,000 tonnes
	Japan	125,000 tonnes
	Singapore	84,000 tonnes
	Malaysia	52,000 tonnes
	Indonesia	43,000 tonnes
Australian per Capita Annual Consumption	Drinking milk	107 litres
	Cheese	13.5 kilograms
Dairy Industry Workforce (Direct employment of approximately)	43,000	

Source: Dairy Australia ABARES





### 3.2 THE AUSTRALIAN DAIRY INDUSTRY

Dairying is a well-established industry across temperate and some sub-tropical areas of Australia. While the bulk of milk production occurs in south-east states, all states have dairy industries that supply fresh drinking milk to nearby cities and towns. A range of high-quality consumer products, including fresh milks, custards, yogurts and a wide variety of cheese types, are produced in most Australian states. Nevertheless, the manufacturing of longer shelf life products, such as cheese and specialised milk powders, is becoming more concentrated in the south-east region of Australia.

On-farm productivity continues to increase through improved pasture, feed and herd management techniques. While supplementary feeding with grains is becoming increasingly common, the Australian dairy industry remains predominantly pasture-based.

### 3.3 ECONOMIC CONTRIBUTION

According to Dairy Australia, Australian dairy is a \$13 billion farm, manufacturing and export industry. With a farmgate value alone of \$4 billion, the Australian dairy industry enriches regional Australian communities.

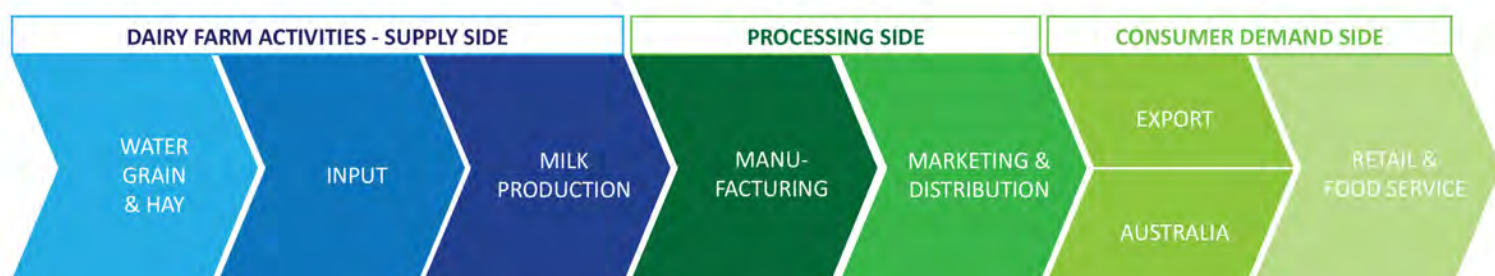
Australia's 6,700 dairy farmers produce around 9.2 billion litres of milk a year. The Australian dairy industry directly employs 43,000 Australians on farms and in processing factories, while more than 100,000 Australians are indirectly employed in related service industries.

Dairy is also one of Australia's leading rural industries in terms of adding value through downstream processing to produce fresh lines such as butter, cream, cheese and yogurt. Bulk milk and specialised powdered milks are also significant. Much of this processing occurs close to farming areas, thereby generating economic activity in country regions. The Australian Bureau of Agricultural and Resource Economics and Sciences estimates the regional economic multiplier effect at 2.5 from the dairy industry.

### 3.4 SUPPLY SIDE AND PROCESSOR SIDE RELATIONSHIP

Milk is a perishable product, which must be processed before it can be sold commercially. As a result, dairy production is integrated across the supply chain from farmers through processors (such as Fonterra, Murray Goulburn etc.) to consumer and export markets, and there is significant infrastructure involved in its collection, storage and retailing. In simple terms, Australian dairy farmers cannot operate without domestic processing capacity. Nor can processors survive without domestic farm milk supply.

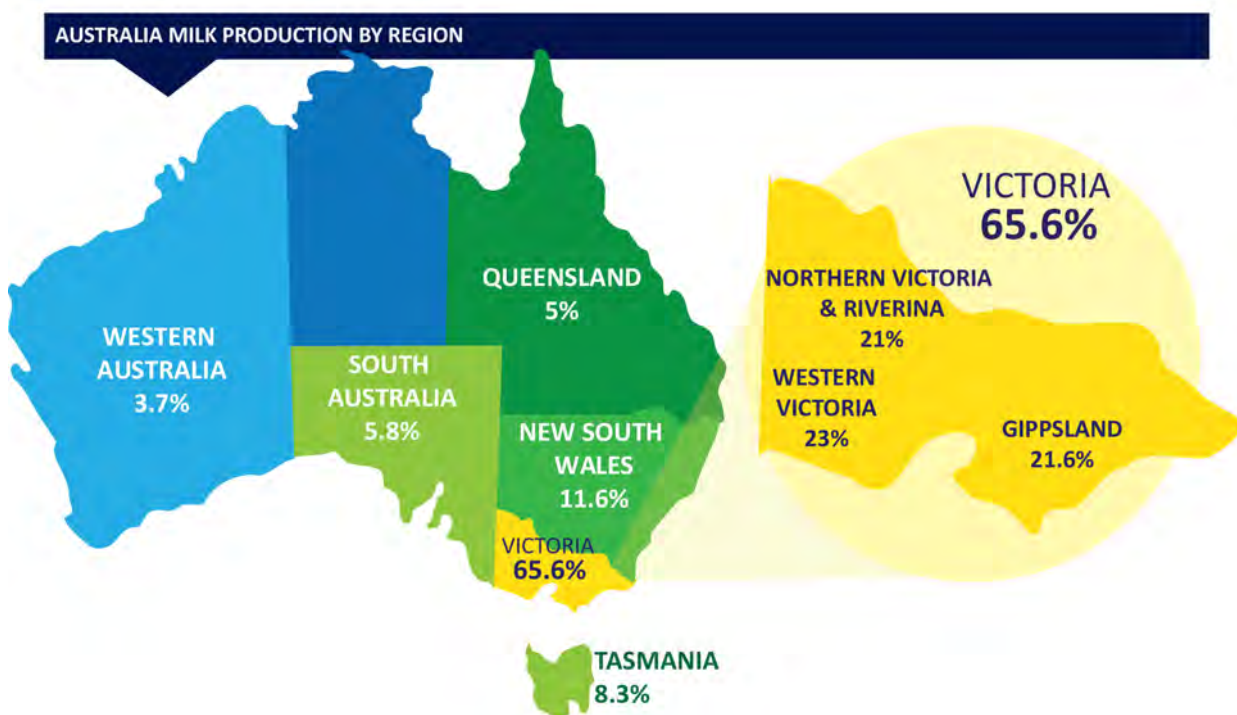
Because of the nature of dairy as a fresh product, most processing occurs near the point of farm production in regional Australia.





### 3.5 AUSTRALIA'S DAIRY REGIONS

Several different regions throughout Australia make up the industry. Generally, Queensland, northern New South Wales and Western Australia predominately supply the domestic retail drinking milk market while regions in the southern states of Victoria and Tasmania supply some domestic but predominantly export product markets. Victoria is the largest State producer by volume accounting for 6,123.038 million litres in 2013 /14 or 66.3% of the Australian production. New South Wales and Tasmania follow with 11.2% and 8.7% respectively.



### 3.6 INDUSTRY CONSOLIDATION TO DATE

Since deregulation in 2000, the dairy industry has undergone significant rationalisation. Over the last three decades, the number of registered dairy farms has fallen by two-thirds from 20,060 in 1983 to just below 6,400 in mid-2013, 4,284 of which are in Victoria. Average herd size has increased from 90 cows in 1982 to an estimated 258 currently. Approximately 1,079,000 of the national dairy herd of 1,650,000 dairy cows are located in Victoria.

The Australian dairy production industry (farming) remains essentially a “cottage” industry, which is dominated by small holdings of mostly family held properties, many of which are not operated to their achievable potential or productivity. The average age of Australia’s dairy farmers is reported to be in the late 50’s and farmers are expected to continue to progressively leave the industry as average farmer age increases and family members choose other walks of life. This reflects a long-term trend observed in agriculture around the world, as reduced price subsidies and changing business practices have encouraged a shift to larger, more efficient operating systems.

To date there has been limited corporate amalgamation of dairy farms in Australia, with the vast majority of farms still in single owner or family ownership structures.

With prospective growth in global demand for clean, green, safe reliable dairy supply, industry bodies and specialist commentators on the industry are actively encouraging further industry aggregation, particularly in the manner proposed by the Group.

The Board believes that, with dairy farm prices currently at cyclical lows, an opportunity exists to consolidate and corporatise milk production.





### 3.7 MILK PRICING AND EXPORT MARKETS

At the same time the global demand for dairy product, particularly with the enviable biosecurity reputation of Australia and New Zealand, is forecast to grow consistently over future decades.

The structure of milk pricing and partnership services offered by international processors is very squarely aimed at providing incentive sales prices for those producers who are prepared to invest in their farms and productivity and to produce high volumes of milk consistently throughout the year.

### 3.8 EXPORT MARKETS

The Australian dairy industry has long recognised that its long-term growth and profitability is closely linked to its position as a world competitive producer that can develop and retain global markets. With around 40% of the annual milk production sold directly in export markets, no significant Australian tariff barriers to commercial imports, and a sizable imported component for domestic consumption in some categories, the prices prevailing in world markets directly determine Australian dairy company and farm gate returns.

Australia is the third largest exporter behind New Zealand and Europe; Australia accounts for around 7% of the global export market for dairy product.

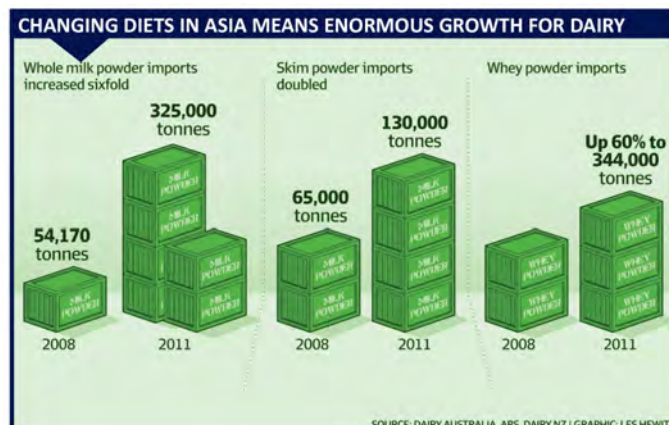
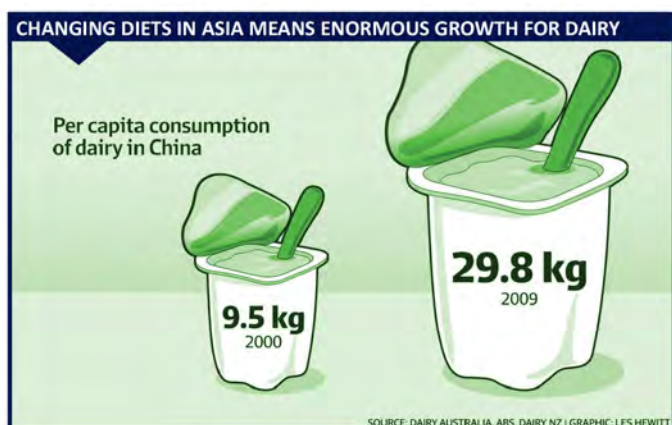
### 3.9 THE ASIA AND CHINA PROSPECT

The growth in population, average wealth and disposable income of Asian and some Middle Eastern countries, and particularly in China, has led to significant increases in consumption of protein and western style foods. Milk and milk products are regarded as a valuable source of protein and a popular ingredient in changing food consumption styles. These secular changes are well documented by reputable economic and demographic researchers and commentators.

China has grown to be the largest single dairy importing country in the world, with over 1.5mt of product imported in 2013, or 13.4% of global imports. Projections of demand from China alone by World Food Organisation suggest demand increasing through to 2050 and potential shortfalls in global exporters' capacity to supply.

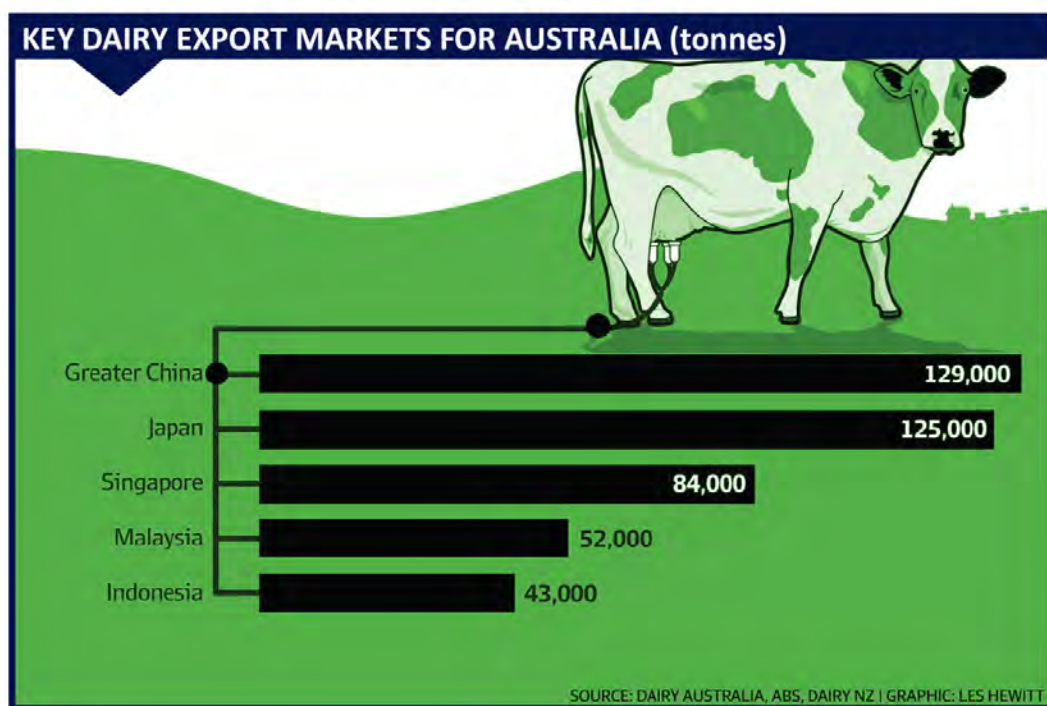
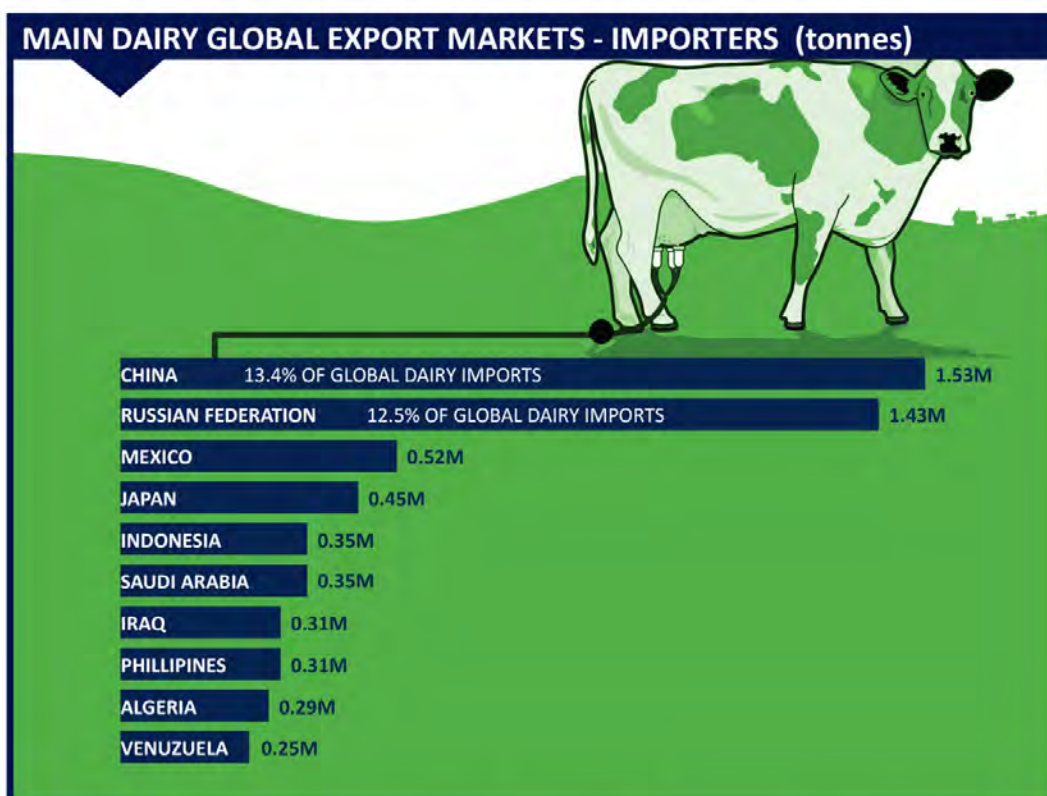
Current demand for imported products continues to be strong, with growing demand for retail products including ultra-high temperature milk and infant formula products, and other products like cheese and butter for both retail and industrial uses.

China's import demand is driven by factors such as continuing concerns about the safety of domestic dairy products (spreading from infant formula to other products like milk during past 12 months), lower tariffs on dairy products from New Zealand, and the strength of the Chinese RMB relative to the US dollar.





### 3.10 AUSTRALIA'S POSITION IN GLOBAL EXPORT MARKETS



### 3.11 TIME FOR CORPORATE CONSOLIDATION OF FARM OWNERSHIP

Taking all of these factors into account, and also recognising the significant technology advances being made in automation of milking and robotic systems with immediate productivity analysis of individual cows, the Group believes that the time and opportunity is ripe for efficient and appropriately capitalised corporate consolidation within the industry.





## 4 AUSTRALIAN DAIRY FARMS GROUP





## 4 AUSTRALIAN DAIRY FARMS GROUP

### 4.1 STRUCTURE

The Group comprises the Company (APA Financial Services Limited, to be renamed Australia Dairy Farms Limited) and the Trust (Australian Dairy Farms Trust). Subject to approval by the Company's Shareholders, the Shares of the Company and Units of the Trust will be stapled from Completion onwards and will be traded together on the ASX.

The structure chart for the Group is shown in section 1 of this Offer Document.

### 4.2 THE GROUP'S BUSINESS MODEL

The Group's business model is to generate Securityholders' returns through profits from milk sales and capital growth (and resultant increased rental returns) from appreciation of dairy farmland prices. It aims to do this by progressively acquiring and operating 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 that compete for and reward reliable supply and growth.

The Group aims to be producing 50 million litres of milk (on a per annum basis) within the next two years.

### 4.3 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
- (c) most importantly, 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 focus on the prime established dairy localities. The Group's initial target is in South West Victoria around the rapidly growing regional city of Warrnambool – the dairy “Golden Triangle” - which is 3 hours' drive from the Melbourne CBD.

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 and based on candid specialist assessment, 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. Acquisitions will also be part funded through debt. The Group has targeted a gearing ratio in the range of 25% to 35% in the normal course of business; however gearing may be higher if the Board consider the circumstances warrant a short term increase and it is prudent to increase gearing.

#### GOLDEN TRIANGLE OF THE SOUTHWEST VICTORIA DAIRY REGION





#### 4.4 THE BRUCKNELL FARMS

The Group has entered agreements to acquire two farms, known as Brucknell No 1 Farm and Brucknell No 2 Farm. The farms are located at Moreys Road Brucknell in the South Western Victoria region near Warrnambool.

The Trust acquired the Brucknell No 2 Farm in June 2013 and completion of the purchase of the Brucknell No 1 is conditional upon the Group listing on ASX. Further details of the acquisitions is set out in section 6.6.

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 combined unit under a sharefarming agreement with DFI Brucknell, although with less than the full complement of milking cows because necessary development work was undertaken to build 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 work could only be done in dry weather conditions, and was completed in autumn 2014.

The positive financial impacts of these changes will be seen in the 2014/15 financial year. However, even with the lower than capacity milking herd that has been accommodated on the Brucknell Farms, the production performance has been impressive on statistical comparison with published national and regional benchmarks. Over the last 12 months average milk production per cow in milk was approximately 8,240 litres.

At Completion the Company will acquire the plant, equipment and Livestock relating to the Brucknell Farms and the Trust will acquire the Brucknell No 1 Farm.

#### 4.5 AVAILABILITY OF SUITABLE FARMS FOR ACQUISITION

The Group and its consultants have reviewed numerous farms available for sale in the South West Victoria region. There is no official database other than real estate agents and there is no identified database which records the historical sale prices of specifically dairy farms.

Anecdotally, and through dairy specialist real estate agents, it is evident to the Group that there are many good quality farms which are available for sale. Many are operating below their current stocking capacity, often because their owners are occupied in other lifestyle pursuits or simply make a satisfactory income from operating at less than the full potential of their farm's capability. A percentage of farms are owned by owner operators who became financially overcommitted when prices were higher in past years than they are now and do not have the capital or the borrowing capacity to maximize the potential of their farms and so simply maintain the status quo. Bankers and lenders are also realistic about the relatively subdued state of farm pricing despite the recent improvement in milk pricing.

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



#### 4.6 SUFFICIENCY OF WORKING CAPITAL

The Directors and Responsible Entity Directors believe that the Group will have enough working capital to carry out its business objectives as described in this Offer Document.

#### 4.7 DIVIDEND AND DISTRIBUTION POLICY

The Group's focus will be on generating a combination of regular income from business operations and capital growth from the appreciation in value of the underlying assets of prime Australian dairy farms. Depending on the amount of capital raised under the Offers the Group will assess plans to declare dividends or distributions. If only the Minimum Subscription is raised, the Group will need to use available funds for operations and improvements as well as raise additional capital for expansion. Payment of future dividends will depend on the ability of the Group to achieve growth in scale and numbers of farms operated. No dividend or distribution was paid for the 2014 financial year ending 30 June 2014.

#### 4.8 STAPLING

A stapled security is a security that is comprised of at least two securities (in this case a 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. 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 (as defined for tax purposes) and be in a position to offer international institutions favourable taxation advantages associated with such trusts. At Completion, this will not be the case and the trust will be a managed investment scheme.
- (d) As the Group grows by the 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 of the 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 Shares and Trust's Units can only be traded together.



## 5 RISK FACTORS







## 5 RISK FACTORS

An investment in the Group is not risk free. Before deciding to invest in the Stapled Securities, investors should read this Offer Document in full 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 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.

### 5.1 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. While the sharefarming arrangements which have been in place since 1 July 2013 provide valuable confirmation of production levels per cow and hectare for the Brucknell Farms, 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.

Furthermore during this period and until a reconciliation of the revenue, expenses and development works for the Brucknell Farms is completed, the Trust has not accurately determined the profit (if any) generated from the farms and the Trust's share of that profit. There is a risk that the Brucknell Farms may not operate as the Group expects.

(b) Acquisition risk

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. Furthermore, the Group intends to acquire farms which require improvements to increase farm yields. There are risks with undertaking improvements, including possible delays and cost overruns, which may negatively impact on the financial performance of the Group and potentially reduce returns.



Furthermore, the Group's business model is reliant upon generating a return for Securityholders through achieving scale and efficiencies through acquiring further farms. Without successful acquisitions there is a risk that the Group's business model may not be successful.

(c) Milk prices

Milk prices are set by the Australian and global markets depending on the product type, seasonal demand and tariffs, with a significant portion of milk produced in Victoria exported. 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 Group 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. Risks that can be viably insured against will be assessed on a regular basis by management.

(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 historically 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) Exchange rate risks

As an Australian entity the Group raises its capital in Australian dollars. A significant proportion of Victoria's processed 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. This may have an indirect but adverse impact on the Group.

(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.

Within normally healthy dairy herds there are always ongoing of infections of various kinds such as Mastitis and Rotavirus and others which can impact herd health and milk production and quality, particularly when new livestock are introduced to the herd from time to time. These risks are typically managed by segregation, medication and vaccination, however, they are rarely, if ever, able to be eliminated.

(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.

Without further capital, the Group will not be able to achieve its stated objective of increasing Securityholder returns through acquiring additional farms, with increased scale, productivity and prices paid by milk processors.

(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.

(o) Financing and gearing

The Borrowings (which were used to purchase the Brucknell No 2 Farm) currently expire on 14 December 2014. Whilst the Directors are confident that the Borrowings will be further extended on terms favourable to the Group, there is a risk that they may not be. The Borrowings are subject to a number of undertakings and covenants which are typical for loans of this nature, including that upon an event of default CBA could exercise its power of sale and sell the Brucknell No 2 Farm.

The Group's expected gearing is referred to in section 4.3. The level of gearing exposes the Group to changes in interest rates and/or margins, the availability of credit and economic activity generally. Higher gearing will increase the effect. If the





level of gearing increases over the term of the Group's debt financing, this may create refinancing risk on the Group's debts it approaches expiration.

(p) Responsible Entity

The Trust is a managed investment scheme. As a result, Trustees Australia, as responsible entity, is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity fails to comply with the conditions of its Australian Financial Services Licence, then ASIC may take action to suspend or revoke the licence, which in turn could adversely impact the Group.

Furthermore and whilst they have the same Chairman, currently the boards of the Company and Trustees Australia differ. Accordingly there is a risk that the Board and Trustees Australia may have different views in relation to matters affecting the Group. Whilst Trustees Australia has fiduciary obligations to Securityholders, this may potentially affect the timing and nature of decisions affecting the Group.

(q) Claim by Technology Capital Pty Limited

As set out in section 14.16, in October 2013 Technology Capital Pty Ltd put the Company and Trustees Australia on notice that Technology Capital believed that the Company and Trustees Australia would be liable to pay certain fees, and issue securities, said to be owed to Technology Capital.

The Group does not believe that there is any basis to Technology Capital's claim or that either Trustees Australia (in its own right or as responsible entity for the Trust) or the Company has any material liability against Technology Capital. However there is a risk that Technology Capital may commence proceedings against Trustees Australia (in its own right or as responsible entity for the Trust) or the Company. If such a claim is brought, there is no guarantee that the Group will be successful in defending it. Any adverse finding could result in the Group being exposed to an obligation to pay damages, which could have a materially adverse effect on it.

## 5.2 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 Offer Document and other than as set out in section 14.16, 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.



## 6 DIRECTORS, MANAGEMENT AND GOVERNANCE

### 6.1 DIRECTORS OF THE COMPANY

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 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 the chairman of Trustees Australia Limited (ASX code: TAU).

(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 and minor shareholder of DFI Brucknell, the vendor of the Brucknell No 1 Farm.

### 6.2 THE RESPONSIBLE ENTITY AND ITS DIRECTORS

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. The Responsible Entity's powers, rights and liabilities in relation to the Trust are governed by the Corporations Act, the constitution of the Trust and the Stapling Deed. The Responsible Entity is required to act in the best interests of Securityholders. The constitution of the Trust is summarised in section 11.2. The Stapling Deed is summarised in section 9.10.

Trustees Australia's board consists of 3 directors. Mr Hackett is the executive chairman of Trustees Australia. Details of Trustees Australia's other directors are as follows:





(a) Kerry Daly (Non-executive, independent director)

Qualifications Bachelor of Business (Accountancy) – Queensland University of Technology Certified Practicing Accountant

Mr Daly was appointed as a director of Trustees Australia 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 (Non-executive director)

Qualifications Commercial Builder and Project Manager

Mr Leman was appointed as a director of Trustees Australia on 24 November 2010. Mr Leman 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 group, including in relation to financial services technology platforms. As a director of Trustees Australia, Mr Leman has been appointed to the boards of most of its subsidiary entities.

Trustees Australia and its associates hold approximately 34.4% of the Company, and Mr Hackett and his associates hold approximately 75% of Trustees Australia. Mr Hackett is a director of both the Company and Trustees Australia.

As Responsible Entity Trustees Australia will charge fees equivalent to the cost recovery of expenses only, including specific employment costs directly related to the property management and acquisition costs of farms. The independent directors for both the Company and Trustees Australia consider the fees to be reasonable in the circumstances as if the Group and Trustees Australia were dealing at arm's length so that Security holder approval is not required.

Trustees Australia will retire as responsible entity for the Trust once the Convertible Note is converted or repaid and subject to the requirements of the Corporations Act a wholly owned subsidiary of the Company will be appointed as responsible entity for the Trust.

Trustees Australia will also, following Completion, hold Convertible Notes.



### 6.3 MANAGEMENT

The Board will take an active and direct role in management during the initial stage of implementation of the Group's aggregation strategy, 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. The Brucknell Farms are currently managed by:

(a) Robby Zeissig - Agronomist - Farm Operations Supervision

Mr Zeissig is an internationally experienced agronomist with specialist hands-on knowledge of Australian dairy production, grass nutrition management and pasture planning. He has extensive farm operations management experience at significant dairy aggregations in Australia and internationally.

(b) Eliot Cooper - Farm Advisory – Nutrition – Farm Strategies

Mr Cooper is a second generation NZ dairy farmer with strong dairy and agricultural operations and business experience in NZ and in Australia. He consults on farm strategies and farm selection assessment.

### 6.4 DIRECTORS' HOLDINGS

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

		<b>Current (Post-Consolidation)</b>	<b>Minimum Subscription</b>	<b>Maximum Subscription</b>
Michael Hackett <sup>1, 2</sup>	%	34.27	9.01	5.32
	No.	4,174,065	4,549,065	4,549,065
Graham Anderson <sup>1</sup>	%	8.98	2.66	1.59
	No.	1,094,003	1,344,003	1,344,003
Adrian Rowley <sup>1</sup>	%	13.74	3.62	2.15
	No.	1,673,986	1,823,986	1,823,986
Keith Jackson	%	0	0	0
	No.	0	0	0

<sup>1</sup> This assumes Shareholders will approve the issue of Stapled Securities to the Directors in lieu of unpaid Directors' fees for the period 2010 to 2014.

<sup>2</sup> Trustees Australia, an entity controlled by Mr Hackett, will also be issued the Convertible Notes. See sections 6.6(b), 7.3(a) and 9.8 for details.



## 6.5 REMUNERATION RECEIVED BY THE DIRECTORS AND THEIR RELATED ENTITIES

The Board has resolved, subject to Shareholder approval, to provide for non-executive 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, however it has provided for a maximum of \$100,000 to be paid in Directors' fees 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.

Trustees Australia's directors' fees, if any, for acting as directors of Trustees Australia will be paid by Trustees Australia (or a subsidiary) and will not be paid out of the assets or income of the Trust.

## 6.6 RELATED PARTY TRANSACTIONS BRUCKNELL FARMS

### (a) 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 (exclusive of transaction costs), 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 9.

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.

### (b) 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 as its trustee.

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 subsequently purchased additional farm equipment and undertook 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 general security interest consisting a first ranking charge over all present and after acquired property of the Trust.

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

All acquisitions, 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 Mr Hackett. 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 \$3,500,000 as at 30 June 2014.

Upon acquiring Brucknell No 2 Farm in June 2013, the Trust appointed DFI Brucknell to operate the farm under a sharefarming agreement, with DFI Brucknell collecting milk revenue and meeting all operating expenses. During this time the Trust incurred expenditure to develop and reconfigure the Brucknell Farms and acquire additional dairy livestock. The Trust also funded certain costs which form part of the operational costs under the sharefarming agreement. The parties have agreed that, prior to Completion, they will negotiate in good faith a reconciliation of the revenue, expenses and amounts spent in operating and developing the farms as well an allocation of liability for such expenditure. The Trust has a right to set off funds owed to it against the purchase price for the Brucknell No 1 Farm. See section 7.3(c) for more information.

As disclosed in the Meeting Booklet, it was intended that from 1 July 2014 SWDF would assume operational responsibility for the Brucknell Farms until Completion. Certain third party approvals have not been obtained, and as a result the sharefarming arrangements will remain in place until Completion. This will not have any material effect on the Proposal.

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 Offers the issue of convertible notes to Trustees Australia (**Convertible Notes**). Under the terms of the Convertible Notes, Trustees Australia may elect to



convert all or part of the amount owing to Stapled Securities at a conversion price of \$0.20 per Stapled Security, with any balance owing under the note repayable within two years from Completion. See section 9.6 and 9.8 for a summary of the material terms of the Interim Funding and Convertible Notes.

If only the Minimum Subscription is raised under the Offers, the Group will repay approximately \$1.15 million of the Interim Funding in cash, with \$2.35 million being repaid through the issue of Convertible Notes. If the Maximum Subscription is raised under the Offers, the Group will repay \$2.15 million of the Interim Funding in cash, with \$1.35 million being repaid through the issue of Convertible Notes.

The Company will both acquire the plant, equipment and livestock for the Brucknell Farms from (in the case of the Brucknell No 2 Farm) the Trust and also repay the Interim Funding (together the **Trustees Australia Transaction**). As required by the ASX Listing Rules, the Company's independent Directors have obtained an independent expert's report. The report, prepared by Pitcher Partners, has opined that the Trustees Australia Transaction is fair and reasonable to non-associated Shareholders. A copy of Pitcher Partner's report is available from [www.asx.com.au](http://www.asx.com.au) or [www.apafs.com.au](http://www.apafs.com.au).

#### 6.7 OFFICER PROTECTION DEEDS

The Company has entered into officer protection deeds on standard terms with each of its current Directors (with the deeds with Messrs Hackett and Rowley subject to Shareholder approval to be sought at the Meeting).

The deeds indemnify the Directors in respect of certain liabilities and legal expenses incurred by them whilst acting as Directors and insure them against certain risks they are exposed to as Directors. 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 a Director.

#### 6.8 NO OTHER DIRECTORS' INTERESTS

Other than as set out above or elsewhere in this Offer Document, no Director or proposed Director holds, either at the date of this Offer Document, or at any time during the last 2 years before the date of lodgment of this Offer Document with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company or the Offers; or
- (c) the Offers;

and no amounts have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (d) to a Director to induce him or her to become, or to qualify as, a Director; or



- (e) for services provided by a Director in connection with the formation or promotion of the Company or the Offers.

## 6.9 CORPORATE GOVERNANCE

The primary responsibility of the Board is to represent and advance Stapled Securityholder interests and to protect the interests of all stakeholders. To fulfill this role the Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Company has developed a number of corporate governance policies which it will continue to adopt following its change of nature and scale. A summary of the Company's corporate governance policies is included in the Company's 2013 Annual Report which was announced to ASX on 30 August 2013. These policies will be adopted by the Group after its admission to the Official List.





## 7 FINANCIAL INFORMATION

### 7.1 INTRODUCTION

This section contains a summary of the historical and pro forma financial information regarding the Company, the Trust and the pro forma Group assuming completion of the Offers and purchase of the Brucknell No 1 Farm. The financial information should be read in conjunction with the summary of significant accounting policies in section 7.5 and other information contained in the Offer Document.

The historical and pro forma financial information in this section comprises:

- (a) the audited balance sheet of the Company as at 30 June 2014;
- (b) the unaudited balance sheet of the Trust as at 30 June 2014 which has been subject to review;
- (c) pro forma balance sheets of the Group (the Company and the Trust) based on the audited balance sheet of the Company and reviewed balance sheet of the Trust as at 30 June 2014, adjusted to include the capital raised as part of the Offers (both Minimum Subscription and Maximum Subscription) and other adjustments as summarised in section 7.3(a);
- (d) the historical profit and loss of the Company for the years ended 30 June 2013 and 30 June 2014 (both audited); and
- (e) the historical profit and loss of the Trust for the period from incorporation (27 February 2013) to 30 June 2014 (reviewed).

The financial information has been prepared in accordance with the measurement and recognition principles of the applicable Accounting Standards and other mandatory professional reporting requirements in Australia. It is presented in an abbreviated form and does not comply with all the presentation and disclosure requirements of Australian Accounting Standards applicable to annual reports that are prepared in accordance with the Corporations Act.

The background to the Group is set out elsewhere in the Offer Document.

### 7.2 ACTUAL AND PRO FORMA BALANCE SHEETS

The balance sheets of Company and the Trust as at 30 June 2014 and the pro forma balance sheets of the Group are set out below.

The pro forma balance sheets are presented on the basis of both Minimum Subscription and Maximum Subscription and assume completion of the capital raised under the Offers and certain other transactions summarised in section 7.3(a). Selected notes supporting this information are also included in section 7.3.



\$'000	Company	Trust	Adjustments		Group	
			Minimum	Maximum	Minimum	Maximum
ASSETS						
Current assets						
Cash	36	4	1,838	6,418	1,878	6,458
Receivables	21	249	-	-	270	270
Shares in OneVue	725	-	(453)	(453)	272	272
Other	13	9	-	-	22	22
	795	262	1,385	5,965	2,442	7,022
Non-current assets						
Livestock – dairy cattle	-	702	1,060	1,060	1,762	1,762
Plant and equipment	-	123	150	150	273	273
Land & buildings - dairy farms	-	4,203	3,854	3,854	8,057	8,057
	-	5,028	5,064	5,064	10,092	10,092
TOTAL ASSETS	795	5,290	6,449	11,029	12,534	17,114
LIABILITIES						
Trade and other payables	(311)	(192)	155	155	(348)	(348)
Loan - CBA	-	(2,250)	(1,750)	(750)	(4,000)	(3,000)
- Interim Facility Trust	-	(3,500)	3,500	3,500	-	-
Convertible Note	-	-	(2,350)	(1,350)	(2,350)	(1,350)
	(311)	(5,942)	(445)	1,555	(6,698)	(4,698)
NET ASSETS	484	(652)	6,004	12,584	5,836	12,416
EQUITY						
Contributed equity	7,866	-	6,895	13,475	14,761	21,341
Reserves	198	-	-	-	198	198
Accumulated Losses	(7,580)	(652)	(891)	(891)	(9,123)	(9,123)
TOTAL EQUITY	484	(652)	6,004	12,584	5,836	12,416
No. of Stapled Securities on issue ('000) – Section 7.3(h)					50,472	85,472
Net asset value per Stapled Security (cents)					11.6¢	14.5¢



### 7.3 NOTES TO ACTUAL AND PRO FORMA BALANCE SHEETS

#### (a) Pro forma Adjustments

The following adjustments have been made to present the pro forma balance sheets of the Group, assuming both Minimum Subscription (of \$7.5 million) and Maximum Subscription (of \$14.5 million), to reflect the impact as if the transactions outlined below had taken place:

- (i) Share consolidation – The restructure of the Company's share capital by way of a consolidation of the issued capital on a 5 for 1 basis. This transaction has no impact on the pro forma balance sheets.
- (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 the Company post consolidation) to Shareholders. The Shares and Units (together Stapled Securities) are stapled and listed on ASX. This adjustment has the impact of consolidating the Trust in the Group.
- (iii) Payment of Directors' fees – Issue of 775,000 Stapled Securities as payment for directors' fees of \$155,000 owing to Michael Hackett, Adrian Rowley and Graham Anderson.
- (iv) Sale of OneVue shares – the Company has sold approximately 1.16 million shares in OneVue since 30 June 2014 for \$348,000 (at 30 cents per share). For pro forma purposes, the carrying value of the shares in OneVue has been written down to 30 cents by recognizing impairment loss of \$105,000 – see note 7.3(d).
- (v) Stapled Securities issued under the Offers – The issue of 37,500,000 Stapled Securities at 20 cents each to raise \$7,500,000 (Minimum Subscription) or 72,500,000 Stapled Securities at 20 cents each to raise \$14.5m (Maximum Subscription).
- (vi) Costs associated with the Offers – Estimated costs associated with the Offers of \$760,000 (Minimum Subscription) and \$1,180,000 (Maximum Subscription) are assumed to have been paid.
- (vii) Part repayment of loan owing to Interim Facility Trust – The Trust repays \$1,150,000 of the loan under Minimum Subscription or \$2,150,000 under Maximum Subscription (or as agreed between the parties for proceeds received between Minimum Subscription and Maximum Subscription).
- (viii) Issue of Convertible Note - The Group provides the Interim Facility Trust with the Convertible Note to repay the balance of the loan owing to the Interim Facility Trust (\$2,350,000 under Minimum Subscription and \$1,350,000 under Maximum Subscription, assuming the loan balance at Completion is the same as at 30 June 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) Purchase of Brucknell No 1 Farm – Settlement of the Brucknell No 1 Farm Property is assumed to have occurred, estimated as follows:

<b>\$'000</b>	<b>Company</b>	<b>Trust</b>	<b>Group</b>
Purchase price	-	4,395	4,395
Acquisition costs	-	245	245
Livestock	1,060	-	1,060
Farm equipment	150	-	150
	<b>1,210</b>	<b>4,640</b>	<b>5,850</b>
Funded under Minimum Subscription by:			
- Bank debt	-	1,750	1,750
- Public Offer	1,210	2,890	4,100
	<b>1,210</b>	<b>4,640</b>	<b>5,850</b>
Funded under Maximum Subscription by:			
- Bank debt	-	750	750
- Public Offer	1,210	3,890	5,100
	<b>1,210</b>	<b>4,640</b>	<b>5,850</b>

- (x) 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 \$8,057,000 (see note 7.3(f)). The net loss on revaluation of the combined dairy farms has been calculated, for proforma purposes, as follows:

	<b>Note</b>	<b>\$'000</b>
Brucknell No 2 Farm – at valuation	7.3(f)	4,203
Acquisition of Brucknell No 1 Farm – at cost	7.3(a)(ix)	4,640
		<b>8,843</b>
Independent valuation of combined dairy farms	7.3(f)	(8,057)
Net loss on fair value adjustment		<b>786</b>

- (b) Cash

The movement in cash as reflected in the pro forma balance sheets at 30 June 2014 is shown as follows:



	Section 7.3(a)	Minimum Subscription \$'000	Maximum Subscription \$'000
Cash at 30 June 2014 – Actual			
- Company		36	36
- Trust		4	4
Pro form adjustments			
- Sale of shares in OneVue	(iv)	348	348
- Proceeds from the Offer	(v)	7,500	14,500
- Costs associated with the Offer	(vi)	(760)	(1,180)
- Purchase of Brucknell Farm No 1	(ix)	(5,850)	(5,850)
- Proceeds from bank debt	(ix)	1,750	750
- Repayment of loan – Interim Facility Trust	(vii)	(1,150)	(2,150)
Cash at 30 June 2014 – Pro Forma		1,878	6,458

(c) Receivable

In preparing the financial report for the Trust the Responsible Entity Directors have made an estimate of the amount that they believe is receivable by the Trust in respect of the period ended 30 June 2014 under the sharefarming arrangements with DFI Brucknell (see section 6.6(b) for details). Since June 2013, the two dairy farms (Brucknell No 1 and Brucknell No 2) have been operated as a single unit under the share farming agreement by DFI Brucknell. The final allocation of revenue and expenses between the two properties (and owners) is yet to be completed.

Based on the apportionment between the number of cows with milk during the year, the Trust has estimated its share of revenue for the 12 months to 30 June 2014 was \$1,162,000 and its share of expenses at approximately the same amount. The receivable of \$230,000 at 30 June 2014 represents expenses incurred by the Trust under the share farming agreement which is owed by DFI Brucknell. As the reconciliation is yet to be completed, Trustees Australia has provided the Trust with an indemnity over the recoverability of this receivable.

(d) Shares in OneVue

The Company held approximately 2.07 million shares in OneVue, at 30 June 2014 which was recorded at fair value of 35 cents each. The financial asset is classified as a current asset on the basis that the Directors intend to dispose of its shares in OneVue within the next 12 months. OneVue has recently listed on ASX (ASX: OVH), and has traded at between 30 cents and 32 cents per share since listing. Since 30 June



2014 the Company has sold approximately 1.16 million shares in OneVue and received proceeds on sale of \$348,000 (at 30 cents per share).

(e) Livestock

The movement in livestock as reflected in the pro forma balance sheets at 30 June 2014 is shown as follows:

	<b>Section 7.3(a)</b>	<b>Number of cows and calves</b>	<b>\$'000</b>
Livestock at 30 June 2014 – Actual		480	702
Pro forma adjustment:			
Purchase of Brucknell No 1 Farm	(ix)	790	1,060
Livestock at 30 June 2014 – Pro Forma		1,270	1,762

(f) Land and Buildings

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. 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.

Copies of Mr Cussen’s valuations are included in the Meeting Booklet, a copy of which can be obtained from [www.apafs.com.au](http://www.apafs.com.au).

(g) Borrowings

Bank loans are secured by first mortgages over the Trust’s freehold land and buildings. The bank loan matured on 14 June 2014 and has been extended to 14 December 2014.

The loan provided by the Interim Facility Trust (\$3,500,000 at 30 June 2014) also matured on 14 June 2014 and has also been extended to 14 December 2014. The loan is secured by a second registered mortgage over the Brucknell No 2 Farm. The Interim Facility Trust has been funded by Trustees Australia and related entities of Michael Hackett, a director of both Trustees Australia and the Company.

The Group is to issue Convertible Notes to repay the balance of the loan owing to the Interim Facility Trust. The notes are to be converted into





Stapled Securities, at the option of the holder, or repayable in two years from Completion. The conversion price is \$0.20 per Stapled Security. The Convertible Notes are presented in the pro forma balance sheets at the initial fair value which was based on the value of the conversion rights (to equity) at \$nil. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the notes.

(h) Contributed Equity

The movement in contributed equity as reflected in the pro forma balance sheets at 30 June 2014 is shown below:

	Section 7.3(a)	No of securities ('000)		\$'000	
		Company	Trust	Group	Group
Actual – 30 June 2014		60,987	-		7,866
Consolidation of Shares	(i)	12,197			-
Issued units and Stapling	(ii)		12,197	12,197	-
Payment of directors' fees	(iii)	775	775	775	155
Public Offer – Minimum	(v)	37,500	37,500	37,500	7,500
Equity transaction costs – Minimum	(vi)	-	-	-	(760)
Proforma Minimum – 30 June 2014		50,472	50,472	50,472	14,761
Adjustment under Maximum Raising:					
- Additional securities	(v)	35,000	35,000	35,000	7,000
- Additional equity transaction costs	(vi)	-	-		(420)
Proforma Maximum – 30 June 2014		85,472	85,472	85,472	21,341

(i) Contingent liability

The Company and Trustees Australia made announcements to ASX in October and November 2013 regarding a demand made in October 2013 against the Company and Trustees Australia by Technology Capital Pty Ltd, a former corporate adviser to DFI Management, 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 the Brucknell No 1 Farm.

Technology Capital alleges that the Company and Trustees Australian have breached the terms of a confidentiality agreement between them, to have procured DFI Management to breach its mandate with Technology Capital, and that the Company and/or Trustees Australian are liable for certain fees that Technology Capital claim to be entitled to under its mandate, including a success fee of \$100,000, and 6% of equity amounts and 2% and debt amounts raised. Technology Capital also claim that under the mandate it is entitled to, after reaching certain milestones based upon scale and



amounts and 2% and debt amounts raised. Technology Capital also claim that under the mandate it is entitled to, after reaching certain milestones based upon scale and herd count, be progressively issued 1.5% of the total issued capital of the “Dairy Project”.

No mandate exists or has existed between Technology Capital and the Company and/or Trustees Australia, and they do not believe that there is any sound basis for Technology Capital’s claim, or that they have any material liability to Technology Capital.

No proceedings have been commenced against either the Company or Trustees Australia. Any proceedings will be defended. Technology Capital has commenced proceedings against DFI Management in New Zealand, which DFI Management is defending.

#### 7.4 HISTORICAL FINANCIAL PERFORMANCE

The financial performance of the Company for the year ended 30 June 2013 (FY13) and 30 June 2014 (FY14) and the financial performance of the Trust since incorporation (in February 2013) to 30 June 2014 (reviewed) are set out below.

The Company currently 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 June 2014 the Company had accrued Directors’ fees of \$155,000 dating back 5 years – see section 7.3(a)(iii).

The Trust effectively commenced trading from mid-June 2013 after acquiring the Brucknell No 2 Farm.



	The Company		Trust
	FY13	FY14	Jun-14 (16 mths)
<b>Revenue</b>			
Investment transaction costs recovered	79	-	-
Interest received	6	3	
Livestock fair value adjustment	-	-	214
Other income	-	-	28
	85	3	242
<b>Expenses</b>			
Investment transaction costs	(79)	-	-
Administration and other costs	(43)	(46)	(36)
Professional costs	(64)	(226)	(39)
Directors' fees	-	(155)	
Finance costs	-	-	(408)
Impairment on land and buildings	-	-	(411)
	(186)	(427)	(894)
Loss before income tax	(101)	(424)	(652)
Income tax expense	-	-	-
Net Loss	(101)	(424)	(652)

The Trust's activities to date 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, and under which DFI Brucknell operated both farms. See section 7.3(c).

## 7.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of the financial information are summarised below.

### (a) Basis of preparation

The financial information has been prepared in accordance with the recognition and measurement (but not all the disclosure) requirements of applicable Australian Accounting Standards and other mandatory financial reporting requirements in Australia, using the accrual basis of accounting including the historical cost convention and the going concern assumption.





The financial information is presented in Australian dollars.

As noted the financial information has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets.

(b) Principles of consolidation – Stapling

The Group is to be formed by the Stapling of the Company and its controlled entities and the Trust. Following approval of the stapling, Shares in the Company and Units in the Trust are to be stapled together and quoted as a single security on ASX. Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the stapling of the Company and the Trust, for pro forma purposes, the Company is identified as having acquired control over the assets of the Trust. To recognise the in-substance acquisition, the following accounting principles have been applied:

- (i) no equity is to be issued by the Company to unitholders of the Trust to give effect to the transaction as the value of the consideration payable for the units in the Trust was determined to be \$nil.
- (ii) the issued units of the Trust are not owned by the Company and are presented as non-controlling interests in the Group notwithstanding that the Unitholders are also the Shareholders by virtue of the stapling arrangement.

(c) Livestock – dairy cattle

Livestock is referred to as a biological asset and is measured at its fair value less cost to sell. Livestock is classified as a non-current asset as the dairy cattle are used for milking and not for trading purposes.

(d) Property, plant and equipment

Land and buildings are recognised at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings. A revaluation surplus is credited to other reserves in shareholders' equity. A revaluation decrement is initially applied to reduce any previous revaluation surplus included in other reserves and, thereafter, recognised as an impairment loss which is expensed in profit and loss. All other property, plant and equipment is recognised at historical cost less depreciation.

## 8 INVESTIGATING ACCOUNTANT'S REPORT

20 August 2014

The Directors  
APA Financial Services Limited  
(to be renamed Australian Dairy Farms Limited)  
Level 1, 41 Edward Street  
Brisbane, QLD, 4000

The Directors  
Trustees Australian Limited as responsible  
entity for the Australian Dairy Farm Trust  
Level 1, 41 Edward Street  
Brisbane Qld 4000



**PITCHER PARTNERS**  
CORPORATE FINANCE LIMITED

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

Dear Directors

### **Investigating Accountant's Report on Historical and Pro Forma Historical Financial Information**

#### **1. Introduction**

This report has been prepared at the request of the directors of APA Financial Services Limited (the Company or APA) for inclusion in an offer document to be issued by the Company ("the Offer Document") in respect of the offer of fully paid stapled Securities in the Australian Dairy Farms Group ("the Group"). The Group is to be formed by the stapling of the securities of the Company (to be renamed Australian Dairy Farms Limited) and Australian Dairy Farms Trust ("the Trust"). The Offer Document is for a public offer of up to 72.5 million Stapled Securities at an issue price of 20 cents each to raise up to \$14.5 million ("the Offer").

Pitcher Partners Corporate Finance Limited is wholly owned by Pitcher Partners Brisbane and holds the appropriate Australian Financial Services Licence under the Corporations Act 2001 for the issue of this report.

References to the Group, and other terminology used in this report have the same meaning as defined in the Glossary of the Offer Document.

#### **2. Scope**

Pitcher Partners Corporate Finance Limited has been requested to prepare this Report to cover the following financial information:

##### ***Historical Financial Information***

The historical financial information, as set out in Section 7 of the Offer Document comprises:

- the income statement of the Company for the years ended 30 June 2013 and 2014;
- the balance sheet of the Company as at 30 June 2014;
- the income statement of the Trust from incorporation (February 2013) to 30 June 2014; and
- the balance sheet of the Trust as at 30 June 2014.

(Hereafter the "Historical Financial Information").

The Historical Financial Information of the Company for the years ended 30 June 2013 and 2014 has been extracted from the audited statutory financial statements, which were audited by Hayes Knight and on which unqualified audit opinions were issued.

The Historical Financial Information of the Trust for the period ended 30 June 2014 has been extracted from the financial statements which were reviewed by Hayes Knight and on which an unqualified review opinion was issued.

### ***Pro Forma Historical Financial Information***

The Pro Forma Historical Financial Information as set out in the Offer Document comprises:

- the actual balance sheets of the Company and the Trust as at 30 June 2014 and the pro forma balance sheet of the Group which assumes pro forma adjustments (such as the stapling and completion of the offers as described in the Offer Document).

(Hereafter the “Pro Forma Historical Financial Information”).

The Pro Forma Financial Information is presented in the Offer Document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports and interim condensed financial reports prepared in accordance with the Corporations Act 2001.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in section 7.3(a) of the Offer Document, as if those events or transactions had occurred as at the date of the Historical Financial Information.

Due to its nature, the Pro Forma Historical Financial Information does not represent the Group’s actual or prospective financial position and financial performance.

### **3. Directors Responsibility**

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro Forma Historical Financial Information, including the selection and determination of Pro Forma Adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information; and
- the information contained within in the Offer Document.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information and the Pro Form Financial Information that is free from material misstatement, whether due to fraud error.

### **4. Our responsibility**

Our responsibility is to express a limited assurance conclusion on the Pro Forma Historical Information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

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

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Historical Financial Information of the Company from the audited financial statements for years ended 30 June 2013 and 2014 and the extraction of the Historical Financial Information of the Trust from the reviewed financial statements for the period ended 30 June 2014;
- consideration of the appropriateness of Pro Forma Adjustments described in Section 7.3(a) of the Offer Document;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro Forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Group; and
- a review of the accounting policies adopted and used by the Group over the period for consistency of application.

## **5. Conclusion**

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 7.1 of the Offer Document.

## **6. Consent**

Pitcher Partners Corporate Finance Limited has consented to the inclusion of this limited assurance report in the Offer Document in the form and context in which it is included.

## **7. Disclosure of Interest**

Pitcher Partners Corporate Finance Limited does not have any interest in the outcome of the Offers other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Yours faithfully

PITCHER PARTNERS CORPORATE FINANCE LIMITED



ROSS WALKER

Director and Representative



## FINANCIAL SERVICES GUIDE

20 August 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?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given FSG.

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](http://www.pitcher.com.au) for a detailed description of the firm.

We and other entities related to Pitcher Partners:

- Do not have any formal associations or relationships with any entities that are issuers of financial products; and
- May provide professional services to issuers of financial products in the ordinary course of business.

### 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 Complaints Office GPO Box 1144 BRISBANE QLD 4001	Financial Ombudsman Service GPO Box 3 MELBOURNE VIC 3001 <a href="mailto:infor@fos.org.au">infor@fos.org.au</a> <a href="http://www.fos.org.au">www.fos.org.au</a> Tel: 1300 780 808
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### 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.



## 9 MATERIAL AGREEMENTS

Following are summaries of contracts material to the Group and the Offers:

### 9.1 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 below) 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.

### 9.2 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.

### 9.3 LEASE AGREEMENT FOR BRUCKNELL FARMS

Parties	Trustees Australia as Responsible Entity of the Trust and SWDF.
Purpose	Trustees Australia and SWDF have entered into leases under which the Trust will lease the Brucknell Farms to SWDF.
Lease payments	<p>The total annual payment under both leases will be 4% of the total carrying value of the farms.</p> <p>The total carrying value of the farm will be determined by 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</p>



	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 31 October 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.

#### 9.4 OPTION AGREEMENT

Parties	The Company, SWDF and Trustees Australia as Responsible Entity of the Trust
Purpose	SWDF was incorporated into the Trust to hold the leases, plant, equipment and livestock for 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 agreed).
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.

#### 9.5 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 14 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 the Trust. It is otherwise on terms ordinarily found in an agreement of this type. The Trust and the Company are currently negotiating the terms of a new bank facility with CBA, which reflects the expected borrowings of up to \$4 million after Completion.

#### 9.6 INTERIM FUNDING FACILITY

Parties	Fiduciary Nominees Pty Ltd, the Trustee for the Hackett Superannuation Fund, the Trustee for the Mikko Superannuation Fund, the Trustee for the Elizabeth Mersh Superannuation Fund, Michael Leslie and Elizabeth Lillian Hackett and Trustees Australia (as joint lenders). Trustees Australia as trustee for the Interim Facility Trust (borrower)
Terms	The Interim Facility Trust is a borrower under the Interim Funding Facility under which the joint lenders (listed above) have provided funding of approximately \$3,500,000 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 section 6.6(b) for details of the Interim Funding.
Interest and security	The outstanding loan amount under the Interim Funding attracts interest at 8% per annum calculated daily and compounding monthly. The loan provided by the Interim Facility Trust (\$3.5m at 30 June 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.
Intentions	The Group intends to repay between \$1.15m (under Minimum Subscription) and \$2.15m (under Maximum Subscription) of the loan owing to the Interim Facility Trust from the proceeds of the Offers. The balance of loans owing to the Interim Facility Trust will be repaid through the issue of the Convertible Notes.

#### 9.7 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	\$2.133 million exclusively to enable the Trust to complete the purchase of the Brucknell No 2 Farm and provide working capital.
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.

#### 9.8 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 \$1.35m and \$2.35m).
Issue date:	The date Completion occurs.
Face Value	\$10,000
Conversion:	At any time up to maturity.
Conversion price:	\$0.20 per Stapled Security.
Maturity:	Two years from Completion.
Events of default:	If any of the following events of default occur, any money owing by the Group under the Convertible Notes will be paid to the noteholder within 20 business days of the note holder issuing a written notice requiring repayment of such money: (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.
Redemption	The Group may redeem one or more Convertible Notes at any time by serving a redemption notice on the noteholder. The noteholder then has 40 business days to convert the Convertible Notes, failing which the notes will be redeemed for their face value (and any accrued interest).
Transfer	Convertible Notes are transferable, subject to the Corporations Act.

## 9.9 LISTING AGREEMENT

Parties	The Company, Trustees Australia, as responsible entity for the Trust, DFI Management and DFI Brucknell.
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"> <li>• acquisition of Brucknell No 1 Farm and associated Livestock, equipment and chattels;</li> <li>• 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</li> <li>• 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.</li> </ul>
Conditions precedent	<p>The parties' obligations under the Listing Agreement are subject to conditions precedent including the quotation on ASX of Australian Dairy Farms Group as a stapled security and Completion.</p> <p>The conditions precedent must be satisfied by 31 December 2014 unless further extended by the parties.</p>



### 9.10 STAPLING DEED

Parties	The Company and Trustees Australia (as trustee of the Trust) will enter into a stapling deed at Completion.
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, the Company and the Trust must use their best efforts to resolve them and negotiate in good faith before instituting proceedings.

### 9.11 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

### 9.12 LETTER OF ENGAGEMENT TO ACT AS LEAD MANAGER

Parties	The Company and Responsible Entity Bell Potter Securities Limited
Purpose	The Lead Manager has agreed to act as the exclusive broker and bookrunner to the Offers.
Fee	The Lead Manager will be paid an offer management fee and selling fee equal to 4% and 2% respectively of the gross amount raised under the Offers.
Indemnity, representations and warranties	In accordance with the agreement and as is customary with these types of arrangements:



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	<ol style="list-style-type: none"><li>1. the Group has (subject to certain limitations) agreed to indemnify the Lead Manager, its officers, employees, advisers and related bodies corporate, and the officers, employees and advisers of any of its related bodies corporate against losses suffered or incurred in connection with the Offers; and</li><li>2. the Group has given representations, warranties and undertakings in connection with (among other things) the conduct of the Offers.</li></ol>
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Terminating events	<p>The Lead Manager may terminate the agreement and be released from their obligations under it on the occurrence of certain events, including (but not limited to) where:</p> <ol style="list-style-type: none"><li>1. A statement contained in the Offer Document is misleading or deceptive (including by omission) or likely to mislead or deceive or becomes misleading or deceptive or a material matter is omitted from the Offer Document.</li><li>2. The Offer Document does not comply with the Corporations Act, the Listing Rules, or any other applicable law.</li><li>3. A material forecast in the Offer Document becomes incapable of being met or unlikely to be met in the projected time.</li><li>4. Unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted by ASX to the Group's admission to the official list of ASX.</li><li>5. The Group withdraws the Offer Document or any supplementary or replacement Offer Document or the Offers.</li><li>6. The Lead Manager reasonably forms the view that a supplementary or replacement Offer Document must be lodged with ASIC and the Group does not lodge a supplementary or replacement document with ASIC in the form and with the content, and within the time, reasonably required by the Lead Manager.</li><li>7. The Lead Manager forms the view, acting reasonably, that there will be insufficient demand to successfully complete the Offers.</li><li>8. Any of the following occurs:<ol style="list-style-type: none"><li>(a) ASIC applies for an order in relation to the Offer Document and the application is not dismissed or withdrawn before the date the Stapled Securities are allotted;</li><li>(b) ASIC gives notice of intention to hold a hearing in relation to the Offer Document;</li><li>(c) any person (other than the Lead Manager seeking to rely on this provision) who has consented to the inclusion of its name in the Offer Document withdraws that consent; or</li><li>(d) any person gives a notice informing the Company that the Offer Document is deficient.</li></ol></li><li>9. At any time before the issue of the Stapled Securities, the S&amp;P/ASX 200 Index closes at a level that is 10% or more below the level of that index on the trading day immediately prior to the date of the agreement.</li></ol>
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	<p>10. Any circumstance arises after lodgement of the Offer Document that results in the Group either repaying the money received from applicants or offering applicants an opportunity to withdraw their applications for Stapled Securities and be repaid their application moneys.</p> <p>11. An insolvency event occurs with respect to the Group.</p>
Terminating events subject to materiality	<p>The Lead Manager may at any time by written notice to the Group immediately and without any cost or liability to the Lead Manager, terminate the agreement if any of the following occurs and the Lead Manager believes that the event is reasonably likely to have a material adverse effect on the outcome of the Offers or the subsequent market for the Stapled Securities; is reasonably likely to have a material adverse effect on the condition, trading or financial position, performance, profits and losses, results, business or operations of the Group; or has given rise to, or could give rise to, a contravention by the Lead Manager of, or the Lead Manager being involved in a contravention of, the Corporations Act or any other applicable law or regulation, or a liability of the Lead Manager under any applicable law or regulation:</p> <ol style="list-style-type: none"> <li>1. The final due diligence report or any other information supplied by the Group to the Lead Manager in relation to the Stapled Securities, the Group, or the Offers, is materially untrue, incorrect, misleading or deceptive (including by omission).</li> <li>2. Any material adverse change occurs, or an event occurs which is likely to give rise to a material adverse change in or affecting the assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the Group.</li> <li>3. A new circumstance occurs in relation to the Group that has arisen since the Offer Document was lodged that would have been required to be included in the Offer Document if it had arisen before the Offer Document was lodged and which is either materially adverse from the point of view of an investor.</li> <li>4. A significant or material contract referred to in the Offer Document is, without the prior written consent of the Lead Manager breached by the Group; or terminated.</li> <li>5. Any of the following occurs which does or is likely to prohibit, restrict or regulate the Offers or materially reduce the level or likely level of valid applications for stapled securities under the Offers: <ol style="list-style-type: none"> <li>(a) the introduction of legislation in Australia;</li> <li>(b) the public announcement of prospective legislation or policy by an Australian government; or</li> <li>(c) the adoption by ASIC or the Reserve Bank of Australia of any regulations or policy.</li> </ol> </li> <li>6. The Group contravenes the Corporations Act, its constitution, any of the Listing Rules or any other applicable law or regulation.</li> <li>7. Any of the warranties or representations by the Group in the agreement are or become materially untrue.</li> </ol>





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8. The Group is in default of any of the material terms and conditions of the agreement that default is either incapable of remedy or is not remedied within ten business days after being given notice to do so by the Lead Manager.
  9. Without the prior written consent of the Lead Manager, the Group:
    - (a) disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Offer Document;
    - (b) ceases or threatens to cease to carry on business;
    - (c) alters its capital structure, other than as contemplated in the Offer Document; or
    - (d) amends its constitution or any other constituent document of the Group or the terms of issue of the Stapled Securities, other than as contemplated by the Proposal.
  10. Any of the following occurs:
    - (a) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
    - (b) trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading;
    - (c) any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions; or
    - (d) after the date of the agreement, a change or development (which was not publicly known prior to the date of the agreement) involving a prospective adverse change in taxation affecting the Group or the Offers occurs.
  11. There is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving any one or more of the following Australia; New Zealand; the United Kingdom; the United States of America; Japan; the People's Republic of China; the Republic of India; or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world.



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12. Any of the following occur:
    - (a) a director or senior executive of the Group is charged with an indictable offence relating to a financial or corporate matter;
    - (b) any governmental agency commences any public action against a member of management of the Group or any of its directors;
    - (c) any director of the Group is disqualified from managing a corporation; or
    - (d) a member of management or a director of the Group engages in any fraudulent conduct or activity.
  13. Other than as disclosed, a change to the board of directors of the Group occurs.
  14. Other than as disclosed, the Group charges or agrees to charge, a substantial part of its business or property.
  15. Any event set out in the timetable in the Offer Document is delayed for more than five business days, unless the Lead Manager r consents to a variation.

#### 9.13 FIRM COMMITMENTS LETTER

Purpose	Certain institutional and sophisticated investors have agreed to subscribe for 42,500,000 Stapled Securities under the Broker Firm Offer, and have signed firm commitment letters with the Lead Manager. The investors are only relieved of the commitment where the Lead Manager terminates its mandate.
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## 10 DETAILS OF THE OFFERS

### 10.1 STAPLED SECURITIES OFFERED FOR SUBSCRIPTION UNDER THE OFFERS

By this Offer Document the Group offers for subscription up to 72,500,000 Stapled Securities (on a post Consolidation basis) each at an issue price of \$0.20 to raise \$14.5 million. The rights and liabilities of the Stapled Securities offered under this Offer Document are summarised at section 11.

The Offers consists of:

- (a) the Priority Offer, which is an offer to Eligible Shareholders who are guaranteed an allocation of at least 10,000 Stapled Securities;
- (b) the Broker Firm Offer, which is an offer to investors who have a registered address in Australia or New Zealand and who have received a firm allocation from their broker; and
- (c) the Public Offer, which is made to members of the general public in Australia and New Zealand.

The details of how to apply for Stapled Securities under the Offers are set out at section 10.4.

### 10.2 CONDITIONS OF THE OFFERS, INCLUDING MINIMUM SUBSCRIPTION

The Offers are conditional upon the following being satisfied:

- (a) Shareholders passing Resolutions at the Shareholders Meeting to be held on 1 September 2014 giving approval for (amongst other things):
  - (i) the Company to make a significant change to the nature and scale of the Company's activities;
  - (ii) the Company to consolidate the issued capital of the Company on the basis that every 5 Shares be consolidated into 1 Share; and
  - (iii) the Group to issue up to 72,500,000 Stapled Securities (on a post Consolidation basis) under the Offers.
- (b) Completion occurring;
- (c) the Group obtaining all necessary regulatory approvals and meeting all regulatory requirements as are required to give effect to the transactions contemplated by the Meeting Booklet (including receiving a conditional letter of re-admission from ASX on terms which the Group believes are capable of satisfaction acting reasonably); and
- (d) the Minimum Subscription under the Offers of \$7.5 million being raised. The Lead Manager has received firm commitments for \$8.5 million under the Broker Firm Offer, satisfying (subject to the terms of the Lead Manager's mandate) this condition.



The Group will not issue any Stapled Securities pursuant to the Offers until these conditions are satisfied.

Should the above conditions not be reached within 4 months from the date of this Offer Document, the Group will either repay the Application moneys to the Applicants or issue a supplementary Offer Document or replacement Offer Document and allow Applicants one month to withdraw their Applications and be repaid their Application moneys. No interest will be paid on these moneys.

### 10.3 OPENING AND CLOSING DATES

The Public Offer will open on 28 August 2014 and close on 17 September 2014.

Subject to the Corporations Act and Listing Rules, the Directors reserve the right to close the Public Offer early or to extend the closing date for the Public Offer, should it be considered by them necessary to do so.

### 10.4 APPLICATION FOR STAPLED SECURITIES

Applicants should read this Offer Document in its entirety in order to make an informed decision on the prospects of the Group and the rights attaching to the Stapled Securities offered by this Offer Document before deciding to apply for Stapled Securities. If you do not understand this Offer Document you should consult your stockbroker, accountant or other professional adviser in order to satisfy yourself as to the contents of this Offer Document.

An Application for Stapled Securities can only be made on the Application Form contained at the back of this Offer Document. The Application Form must be completed in accordance with the instructions set out on the Application Form.

Applications must be for a minimum of 10,000 Stapled Securities (on a post Consolidation basis) (being minimum application moneys of \$2,000), and thereafter in multiples of 2,500 Stapled Securities (on a post Consolidation basis) (\$500).

The Application Form must be accompanied by a cheque in Australian dollars, for the full amount of your application moneys. Cheques must be made payable to '**Australian Dairy Farms Group**' and should be crossed '**Not Negotiable**'.

Application Forms must not be circulated to prospective investors unless accompanied by a copy of this Offer Document.

Completed Application Forms and accompanying cheques must be received by no later than 5.00pm (AEST) on the Closing Date by the Share Registry:





By Post to:	By Delivery to:
Australian Dairy Farms Group C/- Link Market Services Limited Locked Bag A14 Sydney South NSW 1235	Australian Dairy Farms Group C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138

The Group reserves the right to extend the Offers or close the Offers early without notice. Applicants are therefore urged to lodge their Application Form as soon as possible.

An original, completed and lodged Application Form, together with a cheque for the application moneys, constitutes a binding and irrevocable offer to subscribe for the number of Stapled Securities specified in the Application Form. The Application Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Group upon allotment of the Stapled Securities.

If the Application Form is not completed correctly, or if the accompanying payment of the application moneys is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Stapled Securities than is indicated by the amount of the cheque for the application moneys.

No brokerage or stamp duty is payable by Applicants in respect of Applications for Stapled Securities under this Offer Document.

## 10.5 APPLICANTS IN NEW ZEALAND

The issue of Stapled Securities to New Zealand investors under the Public Offer 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 Public Offer and the content of the Offer Document 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 Public Offer 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 Public Offer. If you need to make a complaint about the Public Offer, 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.

The Public Offer may involve a currency exchange risk. The currency for the Stapled Securities is not New Zealand dollars. The value of the Stapled Securities will go up or down according to changes in the exchange rate between the Australian dollar and the New Zealand dollar. These changes may be significant.

If you need to convert any amount paid in respect of the Stapled Securities to New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

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 Offer Document is only available in Australia and is not available in New Zealand.

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

#### 10.6 APPLICANTS OUTSIDE AUSTRALIA OR NEW ZEALAND

The distribution of the Offer Document in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Offer Document should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who are residents in countries other than Australia should consult their professional advisers as to whether any governmental or other consent is required or whether any other formalities need to be considered and followed to enable them to acquire Stapled Securities.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

#### 10.7 APPLICATION MONEY HELD IN TRUST

All application moneys will be deposited into a separate bank account of the Group and held in trust for Applicants until the Stapled Securities are issued or application moneys returned. Any interest that accrues will be retained by the Group and will not be paid to Applicants.



## 10.8 ALLOCATION AND ALLOTMENT OF STAPLED SECURITIES

The Group reserves the right to reject any Application or to allocate to any Applicant fewer Stapled Securities than the number applied for. The Group also reserves the right to reject or aggregate multiple applications in determining final allocations.

In the event an Application is not accepted or accepted in part only, the relevant portion of the application moneys will be returned to Applicants, without interest.

The Group reserves the right not to proceed with the Offers or any part of them at any time before the allocation of the Stapled Securities to Applicants. If the Offers or any part of them are cancelled, all application moneys, or the relevant application moneys will be refunded.

The Group also reserves the right to close the Offers or any part of them early, or extend the Offers or any part of them, or accept late Application Forms either generally or in particular cases.

The allotment of Stapled Securities to Applicants will occur as soon as practicable after Application Forms and application moneys have been received for the Minimum Subscription of Stapled Securities being offered and all other conditions of the Offers satisfied, following which statements of shareholding will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Stapled Securities. Applicants who sell Stapled Securities before they receive their holding statements will do so at their own risk.

## 10.9 BROKER FIRM OFFER

### (a) Who may apply

The Broker Firm Offer is open to investors with a registered address in Australia or New Zealand who have received a firm allocation from their broker.

### (b) How to apply

Applications may only be made on an Application Form attached to or accompanying this Offer Document. Investors applying under the Broker Firm Offer should complete and lodge an Application Form with the broker from whom they received their firm allocation.

Application Forms must be completed in accordance with the instructions given to by the broker and the instructions set out on the reverse of the Application Form. Investors applying under the Broker Firm Offer should contact their broker for further instructions.

The minimum Application amount is at least \$2,000 and in at least \$500 increments thereafter. There is no maximum Application amount.



(c) Acceptance of Applications

If you elect to participate in the Broker Firm Offer, your broker will act as your agent in submitting your Application Form and Application monies to the Securities Registry (which receives them on behalf of the Company).

It will be your broker's responsibility to ensure they are submitted to the Registry by 5.00pm (AEST) on the Closing Date (17 September 2014).

The Group takes no responsibility for any acts or omissions by a broker in connection with an Application, Application Form or Application monies under the Broker Firm Offer.

Subject to the Broker Firm Offer allocation policy below, an Application may be accepted by the Group in respect of the full amount, or any lower amount than that specified in the Application Form, without further notice to the Applicant.

Acceptance of an Application will give rise to a binding contract.

The Company together with the Lead Manager reserves the right to reject any Application under the Broker Firm Offer, subject to the Broker Firm Offer allocation policy below.

(d) Allocation policy under the Broker Firm Offer

If the value of Applications in the Broker Firm Offer is greater than the value of Stapled Securities available in the Broker Firm Offer, Applications will be scaled back. The Group and the Lead Manager have absolute discretion regarding the allocation of Stapled Securities to Applicants in the Broker Firm Offer (except as set out below).

Applications relating to firm Stapled Securities allocated to brokers for allocation to their clients will not be scaled back by the Group. It will be a matter for the brokers as to how they make firm allocations among their clients, and they (and not the Group) will be responsible for ensuring that clients who have received a firm allocation from them receive the relevant Stapled Securities.

(e) Cornerstone firm commitments

The Broker Firm Offer includes a cornerstone process conducted prior to this Offer Document being lodged with ASIC. Certain institutional and sophisticated investors have committed to the Lead Manager to subscribe for 42,500,000 Stapled Securities under the Broker Firm Offer.

The firm commitments are conditional upon the Lead Manager not terminating the Lead Manager's engagement letter. The terms of the engagement letter, including terminating events, are summarised in section 9.12.



#### 10.10 ASX LISTING

The Company is currently admitted to the Official List. Assuming Shareholders approve the Proposal, the Company's Shares will be suspended from quotation pending re-compliance with the admission requirements to ASX. See section 14.2 for details.

Trustees Australia, as responsible entity of the Trust, has applied for the Trust to be admitted to the Official List. The Group will apply to the ASX within 7 days after the date of this Offer Document for official quotation of the Stapled Securities offered by this Offer Document on ASX.

If ASX does not grant permission for admission of the Trust to the Official List or for the quotation of the Stapled Securities offered under this Offer Document within 3 months after the date of this Offer Document, or such longer period as is permitted by the Corporations Act, none of the Stapled Securities offered by this Offer Document will be allotted or issued. In these circumstances, all Applications will be dealt with in accordance with the Corporations Act including the return of all application moneys without interest.

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 Offer Document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the content of this Offer Document. Quotation, if granted, of the Stapled Securities offered by this Offer Document will commence as soon as practicable after statements of holdings of the Stapled Securities are dispatched.

#### 10.11 CHESS

The Group will apply to participate in the Clearing House Electronic Sub-register System (**CHESS**). CHESS is operated by ASX Settlement Pty Ltd (**ASPL**), a wholly owned subsidiary of ASX.

Under CHESS, the Group will not issue certificates to investors. Instead, security holders will receive a statement of their holdings in the Group. If an investor is broker sponsored, ASPL will send a CHESS statement.

#### 10.12 RESTRICTED SECURITIES

The ASX may classify certain securities as being subject to the restricted securities provisions of the Listing Rules. In particular, Directors, other related parties and promoters may receive escrow on securities held by them for up to 24 months from the date of quotation of the Group's Stapled Securities on ASX.

None of the Stapled Securities offered under the Offer will be treated as restricted securities and will be freely transferable from their date of allotment.





## 11 RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

The following is a summary of the more significant rights and liabilities attaching to the New Shares, Units and Loyalty Options. 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 must be read in conjunction with the terms of the Stapling Deed (summarised in section 9.10).

### 11.1 SHARES AND THE COMPANY'S CONSTITUTION

Following is a summary of the rights and liabilities attaching to the Shares. Full details are set out in the Company's Proposed Constitution (approval for which is being sought at the Meeting), 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 9.10.

(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 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. Whilst stapling applies, the Directors must not issue, grant options over, or otherwise dispose of unissued shares in the Company unless the Directors also issued, grant options over, or otherwise dispose of an identical number of securities in the stapled entity.

(d) Transfer of Shares

Subject to the Constitution and any restrictions attached to a Share, 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 but not more than 10 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 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.

## 11.2 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 9.10.

(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 the Constitution by supplemental deed to provide for a specific issue price for those Units; and it may issue those Units at the specified price. Whilst stapling applies the Responsible Entity must not issue or sell any Units to a person unless at the same time, that person is issued or sold the same number of securities in the stapled entity.

(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. Whilst the Trust's Units are stapled a member must not transfer a Unit to a person (and the Responsible Entity must not register a transfer) unless at the same time the member transfers to that person the same number of securities in the stapled entity.

(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 the 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 up to 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) Change of Responsible Entity

If the Responsible Entity wishes to retire so that another company (**Replacement Responsible Entity**) which is a wholly owned subsidiary of the Company can become the new responsible entity then provided that the Replacement Responsible Entity is authorised to be appointed as the Responsibility Entity in accordance with the Corporations Act, then for the purposes of and subject to section 601FL, the members





of the scheme will be taken to have voted unanimously in favour of the appointment of the Replacement Responsible Entity.

(m) 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.

(n) 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.

### 11.3 TERMS OF LOYALTY OPTIONS

For every 2 Stapled Securities held by eligible Securityholders on the Loyalty Option Record Date (4 weeks after the Stapled Securities are admitted for quotation on ASX) the Group will issue for no consideration 1 Loyalty Option (exercisable at 25 cents on or before 31 March 2016).

The Loyalty Options are subject to a vesting condition that the holder hold Stapled Securities on the Vesting Date (4 months from the date the Group are admitted for quotation on ASX), with the number vesting equal to the lesser of the number of Loyalty Options held on the Vesting Date and the number of Stapled Securities held on the Vesting Date divided by 2. Unvested Loyalty Options will lapse.

For example if a Securityholder is issued 200,000 Loyalty Options (because they held 400,000 Stapled Securities on the Loyalty Option Record Date) and:

- (a) sells 200,000 Stapled Securities before the Vesting Date, and therefore hold 200,000 Stapled Securities on the Vesting Date then only 100,000 Loyalty Options will vest;
- (b) buys a further 200,000 Stapled Securities before the Vesting Date, the 200,000 Loyalty Options will vest; but the Securityholder will not receive any further Loyalty Options for the Stapled Securities bought after the Loyalty Option Record Date; and



- (c) sells 400,000 Stapled Securities and then buys 300,000 Stapled Securities, with both transactions occurring before the Vesting Date, then 150,000 Loyalty Options will vest.

The terms of the issue of the Loyalty Options are:

- (a) Issue price

The Loyalty Options will be issued for no consideration.

- (b) Entitlement to be issued Stapled Securities and vesting

Upon vesting and subject to paragraph (f) below, each Loyalty Option entitles the holder to be issued one Stapled Security for each Loyalty Option vested.

The number of Loyalty Options to vest will be the lesser of:

- (i) the number of Loyalty Options held on the Vesting Date; and
- (ii) the number of Stapled Securities held on the Vesting Date divided by 2,

where the Vesting Date is the date 4 months after the Stapled Securities are admitted for quotation on ASX.

Loyalty Options which do not vest on the Vesting Date will immediately lapse.

- (c) Exercise Price

The exercise price of the Loyalty Options is 25 cents each.

- (d) Expiry Date

The expiry date of the Loyalty Options is 31 March 2016 (**Expiry Date**).

The Loyalty Options may be exercised at any time after vesting and prior to the Expiry Date, in whole or in part, upon payment of the exercise price per Loyalty Option.

- (e) Transferable

The Loyalty Options will not be quoted and are not transferable.

- (f) Exercise

The Group will provide to each Loyalty Option holder a notice that is to be completed when exercising the Loyalty Options (**Notice of Exercise**). Loyalty Options may be exercised by the Loyalty Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Group to be received prior to the Expiry Date. The Notice of Exercise must state the number of Loyalty Options exercised, the consequent number of Stapled Securities to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Loyalty Option holder must be accompanied by payment in full for the relevant number of Stapled Securities being subscribed, being an amount of the exercise price per Stapled Securities.



(g) Ranking of Stapled Securities

All Stapled Securities issued upon the exercise of the Loyalty Options will rank equally in all respects with the Group's then issued Stapled Securities. The Group will apply to the ASX for quotation of all Stapled Securities issued upon exercise of Loyalty Options.

(h) Participating rights

There are no participating rights or entitlements inherent in the Loyalty Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Stapled Security holders during the term of the Loyalty Options. Thereby, the Loyalty Option holder has no rights to a change in the exercise price of the Loyalty Option or a change to the number of underlying securities over which the Loyalty Option can be exercised except in the event of a bonus issue. The Group will ensure, for the purposes of determining entitlements to any issue, that Loyalty Option holder will be notified of a proposed issue after the issue is announced. This will give Loyalty Option holders the opportunity to exercise their Loyalty Options prior to the date for determining entitlements to participate in such issues.

(i) Bonus issue

If from time to time on or prior to the Expiry Date the Group makes a bonus issue of securities to holders of Stapled Securities in the Group (**Bonus Issue**), then upon exercise of his or her Loyalty Options a holder will be entitled to have issued to him or her (in addition to the Stapled Securities which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Loyalty Options had been exercised before the record date for the Bonus Issue.

(j) Reconstructions

In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Group, all rights of the Loyalty Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.



## 12 TAXATION IMPLICATIONS

The taxation consequences for a particular Securityholders 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 Securityholders 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 Offer Document.

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

### 12.1 DIVIDENDS AND DISTRIBUTIONS

With Stapled Securities, Securityholders may in future receive trust distributions from the Units and/or dividends in respect of the Shares.

### 12.2 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 Income Tax Assessment Act 1936, 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.

### 12.3 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.

### 12.4 TAX FILE NUMBERS AND AUSTRALIAN BUSINESS NUMBERS

Securityholders 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.

### 12.5 GOODS AND SERVICES TAX ("GST")

The issue of Stapled Securities under the Offers should not attract GST.





## 13 FEES AND OTHER COSTS

### 13.1 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 Group will be ASX listed, no fees will be charged directly to Stapled Securityholders. All fees payable by the Group 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](http://www.moneysmart.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

### 13.2 FEES AND OTHER COSTS

This Offer Document 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<sup>1</sup>:</i> the fee on each amount contributed to your investment	Nil	Not Applicable
<i>Withdrawal fee<sup>1</sup>:</i> the fee on each amount you take	Nil	Not Applicable



Type of fee or cost	Amount	How and when paid
out of your investment		
<i>Exit fee</i> <sup>1</sup> : the fee to close your investment	Nil	Not Applicable
<b>Management costs</b>		
<i>The fees and costs for managing your investment</i>	While Trustees Australia is the Responsible Entity, it has agreed that it will charge fees equivalent only to cost recovery of expenses including specific employment costs directly related to the property management and acquisition costs of farms.	These fees will be paid from the income or assets of the Trust calculated and accrued daily. Payable monthly in arrears.
	While Trustees Australia is the Responsible Entity, it has agreed that it will charge fees equivalent only to cost recovery of expenses including specific employment costs directly related to the property management and acquisition costs of farms.	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.
<b>Service fees</b>		
<i>Switching fee</i> : the fee for changing investment options	Nil	Not Applicable

<sup>1</sup> This fee includes an amount payable to an adviser.

### 13.3 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.
<b>PLUS</b> Management Costs	While Trustees Australia is the Responsible Entity, it has agreed that it will charge fees equivalent	And, for every \$50,000 you have in the balanced investment option you will be



(excluding operating expenses, defined in section 13.4)	only to cost recovery of expenses including specific employment costs directly related to the property management and acquisition costs of farms.	charged up to \$1,000 each year.
<b>EQUALS</b> 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.

#### 13.4 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 has agreed that it will charge fees equivalent only to cost recovery of expenses including specific employment costs directly related to the property management and acquisition costs of farms. 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.



## 14 ADDITIONAL INFORMATION

### 14.1 NATURE OF DOCUMENT

To the extent the Offer relates to the issue of a Share, this document is a prospectus for the purposes of Chapter 6D of the Corporations Act.

To the extent the Offer relates to the issue of a Unit, this document is a product disclosure statement for the purposes of Chapter Part 7.9 of the Corporations Act.

### 14.2 REGULATORY REQUIREMENTS FOR LISTING ON ASX

ASX has advised that the Proposal is a change of nature and scale of the Company's activities and that the Company will need to obtain Shareholder approval and re-comply with Chapters 1 and 2 of the Corporations Act.

The Company will seek the necessary Shareholder approvals at the Meeting.

To effect stapling of the Company's Shares with Units, prior to the Group listing on ASX:

- (a) The Company's constitution will be amended to allow the Company to compulsorily acquire Shares held by Shareholders resident outside Australia or New Zealand.
- (b) The Company will consolidate its Shares on a 5 for 1 basis.
- (c) The Trust will redeem existing Units and issue Units to eligible Shareholders on the basis of one Unit for each Share held.

The Company will seek approval from its Shareholders at the Meeting to:

- (d) change the scale and nature of its activities; and
- (e) acquire the plant, equipment and livestock for the Brucknell No 2 Farm, and repay the Interim Funding (each of which are related party transactions and require Shareholder approval).

Further information on the regulatory requirements is set out in the Meeting Booklet, a copy of which can be obtained from either [www.asx.com.au](http://www.asx.com.au) or the Company.

### 14.3 EXISTING SHAREHOLDERS

The following Shareholders are substantial Shareholders of the Company as at the date of this Offer Document:

Shareholder	Number of Shares held <sup>1</sup>	% of the Company <sup>1</sup>
Trustees Australia Limited and its associates including Michael Hackett	20,870,325	34.22
Rowley Super Fund Pty Ltd <Rowley Super Fund A/C> and associates	8,369,932	13.72



Graham Anderson Pty Ltd <Alness Super Fund A/C> and associates	5,470,014	8.97
IDL Systems Pty Ltd <The Westmal Family A/C No 2> and associates	4,667,842	7.65

- <sup>1</sup> The above sets out the number of Shares held and the percentage of the Company as at the date of this Offer Document and prior to the Consolidation. After the Stapling Issue these Shareholders will hold Stapled Securities.

#### 14.4 DISCLOSURE REQUIRED BY THE CORPORATIONS ACT

The Corporations Act requires this Offer Document to contain certain information regarding the offer of Stapled Securities 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, Trustees Australia and the Company are subject to regular reporting and disclosure obligations. Copies of documents lodged with ASIC in relation to Trustees Australia and the Company 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 Trustees Australia and the Company,

from ASIC and/or ASX or, if you request such documents from the Group, the Group will provide them free of charge;
- (e) holders of the Stapled Securities do not have a cooling off right; and
- (f) in respect of the Stapled Securities issued under the Offer, no interest will be paid to investors on application monies received. Application monies will be held in a subscription account and any interest earned will be retained by the Company and/or the Responsible Entity.

Notwithstanding any other provision of this Offer Document, 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.

#### 14.5 ASIC DECLARATIONS

The following modifications may be sought to facilitate the listing of the Group:

- (a) A modification of 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's 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 with the Group.
- (b) A modification of Chapter 5C of the Corporations Act to require the Company to act in the best interests of Stapled Securityholders 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, in clause 21.3, allows the Responsible Entity to have regard to the interest of Stapled Securityholders and not only Unitholders. This is to facilitate the management of the Group.

#### 14.6 ASX WAIVERS

To facilitate stapling Shares and Units, the Group has applied to ASX for various waivers, including the following:

- (a) Listing Rule 1.1 condition 7 to allow the Group to satisfy the spread test by reference to the number of Stapled Securities held.
- (b) Listing Rule 1.1 condition 8 to allow the Group to satisfy the admissions test.
- (c) Listing Rule 2.1 condition 2 to allow Shares and Units to be issued for a combined price of \$0.20 per Stapled Security.
- (d) Listing Rule 8.10 to the extent required to facilitate transfers of Stapled Securities.
- (e) Listing Rule 10.1, so that while the Group's securities remain stapled, to allow the transfer of substantial assets between Trustees Australia (as responsible entity for the Trust) and the Company, including leases, without security holder approval.



#### 14.7 INCLUSION OF INFORMATION

Section 712 of the Corporations Act provides that information contained in a document that has been lodged with ASIC is, subject to satisfying certain requirements, deemed to have been included in a prospectus.

For the purpose of section 712 of the Corporations Act and Regulation 7.9.15DA of the Corporations Regulations 2001 (Cth), information contained in the Meeting Booklet (a copy of which has been lodged with ASIC) is deemed to be included in this Offer Document. References elsewhere in this Offer Document include the information as required by section 712.

#### 14.8 CONTINUOUS DISCLOSURE OBLIGATIONS

The Company and Trustees Australia are “disclosing entities” (as defined in the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company and Trustees Australia are required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of their securities.

In determining what information this Offer Document must contain for the purposes of section 710 of the Corporations Act, the Group has had regard to the information previously announced to ASX. Having taken such precautions and having made such enquires as are reasonable, the Company and Trustees Australia believe that they have complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Offer Document.

#### 14.9 NO PROSPECTIVE FINANCIAL FORECASTS

The Directors have considered the matters outlined in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings because the proposed future operations of the Group do not have a sufficient operating history from which reliable forecasts can be made based on historical performance and the Group’s intention of acquiring additional operating farms and raising further capital. The acquisition of additional farms will make significant changes to the Group’s operating activities, although farms expected to be acquired have not yet been contracted nor has due diligence been completed.

Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

Notwithstanding the above, this Offer Document includes, or may include, forward looking statements including, without limitation, forward looking statements regarding the Group’s financial position, business strategy, and plans and objectives for its business and future operations (including development plans and objectives), which have been based on the Group’s current expectations. These forward-looking statements are, however, subject to known and unknown risks, uncertainties and assumptions that could cause actual results,



performance or achievements to differ materially from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward looking statements are based on numerous assumptions regarding the Group's present and future business strategies and environment in which the Group will operate in the future.

Matters not yet known to the Group or not currently considered material to the Group may impact on these forward looking statements. These statements reflect views held only as at the date of this Offer Document. In light of these risks, uncertainties and assumptions, the forward-looking statements in this Offer Document might not occur. Investors are therefore cautioned not to place undue reliance on these statements.

#### 14.10 PRIVACY

The Group collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Group.

By submitting an Application Form, each Applicant agrees that the Group may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Securities Registry, the Group's related body corporates, agents, contractors and third party service providers, including mailing houses and professional advisors, and to ASX and regulatory authorities.

If an Applicant becomes a Stapled Securityholder, the Corporations Act requires the Group to include information about the Stapled Securityholder (including name, address and details of the Stapled Securities held) in its public register. The information contained in the Group's public register must remain there even if that person ceases to be a Stapled Securityholder. Information contained in the Group's register is also used to facilitate distribution payments and corporate communications (including the Group's financial results, annual reports and other information that the Group may wish to communicate to its security holders) and compliance by the Group with legal and regulatory requirements.

If you do not provide the information required on the Application Form, the Group may not be able to accept or process your Application. An Applicant has the right to gain access to the information that the Group holds about that person subject to certain exceptions under law. A fee may be charged for access. Such requests must be made in writing to the Group's registered office.

#### 14.11 CUSTOMER SERVICE, COMPLAINTS AND DISPUTE RESOLUTION PROCEDURE

The Company and the Responsible Entity are committed to striving for excellence in relation to its products and services and want 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 Company and the Responsible Entity have 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](mailto: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](mailto:info@fos.org.au)

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

#### 14.12 EXPENSES OF THE OFFER

The total expenses of the Offers are estimated to be as follows:

Cost	Minimum Subscription (\$,000)	Maximum Subscription (\$,000)
Investigating Accountant's Report	20	20
Legal fees (including for the Meeting Booklet)	200	200
ASIC, ASX and other regulatory fees	45	45
Brokers' and other selling fees	450	850
Securities registry administrative and other costs	45	65
<b>Total</b>	<b>760</b>	<b>1,180</b>

These expenses have or will be paid by the Group.

A handling fee of 1.00% of the Application amount (plus GST) of Stapled Securities (subject to a maximum handling fee of \$250) (**Broker Handling Fee**) under the Offers will be paid by the Lead Manager to stockbrokers (being those entities being recognised as full service brokers or non-advisory brokers by ASX) who submit a valid claim for a Broker Handling Fee on successful Applications.



#### 14.13 INTERESTS OF EXPERTS AND ADVISORS

Except as disclosed in this Offer Document, no expert, promoter or any other person named in this Offer Document as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Offer Document, nor any firm in which any of those persons is or was a partner nor any company in which any of those persons is or was associated with, has now, or has had, in the 2 year period ending on the date of this Offer Document, any interest in:

- (a) the formation or promotion of the Group; or
- (b) property acquired or proposed to be acquired by the Group in connection with its formation or promotion or the Offers; or
- (c) the Offers.

Bell Potter is lead manager for the Offers. Details of the Lead Manager's remuneration are set out in section 9.12. Bell Potter has not provided other professional services to the Group during the last 2 years.

Kings Park Corporate Lawyers has acted as legal adviser to the Group in connection with this Offer Document and the related transactions. The Group will pay approximately \$200,000 to Kings Park Corporate Lawyers for these services. In addition, Kings Park Corporate Lawyers has been paid approximately \$34,000 for the provision of professional services to the Group in the 2 years before the date of this Offer Document.

Pitcher Partners has prepared the Investigating Accountant's Report in this Offer Document. In respect of this work, the Group will pay approximately \$20,000. Pitcher Partners has received or is entitled to receive approximately \$42,000 in fees for services to the Group in the 2 years prior to the date of this Offer Document.

The above amounts are all exclusive of GST and disbursements.

#### 14.14 CONSENTS

Each of the persons referred to in this section:

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





- (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 Offer Document, other than the references to their name and the statement(s) and/or report(s) (if any) specified below and included in this Offer Document with the consent of that person.

Name	Role	Statement/Report
Bell Potter	Lead Manager	None
Pitcher Partners	Investigating Accountant	Investigating Accountant's Report (section 8) Taxation implications (section 12) Independent Expert's Report (contained in the Meeting Booklet)
Kings Park Corporate Lawyers	Solicitors to the Offers	None
Link Market Services	Securities Registry	None
Hayes Knight Audit (QLD) Pty	Auditor	Audited accounts and reviewed accounts
DFI Brucknell	Vendor of the Brucknell No 1 Farm	None
Roger Cussen	Independent valuer	Valuation included in Meeting Booklet

#### 14.15 FINANCIAL YEAR

The financial year of the Group will end on 30 June annually.

#### 14.16 LITIGATION

The Company and Trustees Australia made announcements to ASX in October and November 2013 regarding a demand made in October 2013 against the Company and Trustees Australia by Technology Capital Pty Ltd, a former corporate adviser to DFI Management, 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 the Brucknell No 1 Farm.

Technology Capital alleges that the Company and Trustees Australia have breached the terms of a confidentiality agreement between them, to have procured DFI Management to breach its mandate with Technology Capital, and that the Company and/or Trustees Australia are liable for certain fees that Technology Capital claim to be entitled to under its mandate, including a success fee of \$100,000, and 6% of equity amounts and 2% and debt amounts raised. Technology Capital also claim that under the mandate it is entitled to, after reaching



certain milestones based upon scale and herd count, be progressively issued 1.5% of the total issued capital of the “Dairy Project”.

No mandate exists or has existed between Technology Capital and the Company and/or Trustees Australia, and the Company and Trustees Australia do not believe that there is any sound basis for Technology Capital’s claim, or that they have any material liability to Technology Capital.

No proceedings have been commenced against either the Company or Trustees Australia. Any proceedings will be defended. Technology Capital has commenced proceedings against DFI Management in New Zealand, which DFI Management is defending.

#### 14.17 ADDITIONAL MATTERS

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.

The trustee believes that the Trust is a managed investment scheme to which Regulatory Guide 77 (Property Trusts and Property Syndicates) applies and to which Regulatory Guide 232 (Agribusiness) does not apply.



## 15 DIRECTORS' RESPONSIBILITY AND CONSENT

The Directors and the Responsible Entity Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors and the Responsible Entity Directors in this Offer Document are not misleading or deceptive. In respect to any other statements made in the Offer Document by persons other than Directors and the Responsible Entity Directors, the Directors and the Responsible Entity Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, and those persons have given their consent to the statements being included in this Offer Document in the form and context in which they are included and have not withdrawn that consent before lodgment of this Offer Document with the ASIC, or to the Directors and the Responsible Entity Directors knowledge, before any issue of the Stapled Securities pursuant to this Offer Document.

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

Dated: 20 August 2014

Signed for and on behalf of  
APA Financial Services Limited by  
Michael Hackett  
Director

Signed for and on behalf of  
Trustees Australia Limited by  
Michael Hackett  
Director



## 16 GLOSSARY

Where the following terms are used in this Offer Document they have the following meanings:

<b>\$</b>	means Australian dollars unless otherwise stated.
<b>AEST</b>	means Australian Eastern Standard Time.
<b>Applicant</b>	means a person who submits a valid Application Form pursuant to this Offer Document.
<b>Application</b>	means a valid application made on an Application Form to subscribe for Stapled Securities pursuant to this Offer Document.
<b>Application Form</b>	means the application form attached to this Offer Document.
<b>ASIC</b>	means Australian Securities and Investments Commission.
<b>ASX</b>	means ASX Limited or the Australian Securities Exchange operated by ASX Limited, as the context requires.
<b>Australian Dairy Farms Group or Group</b>	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.
<b>Australian Dairy Farms Trust or Trust</b>	means the trust established by Trustees Australia as trustee on or about 27 February 2013 with the previous name Dairy Farm Investments Trust ABN 92 472 779 170 and registered as a managed investment scheme (ARSN: 600 601 689).
<b>Board</b>	means the board of Directors.
<b>Borrowing</b>	has the meaning given in section 2.2.
<b>Broker Firm Offer</b>	means offer to acquire Stapled Securities as set out in section 10.9.
<b>Brucknell Farms</b>	means collectively Brucknell No 1 Farm and Brucknell No 2 Farm.
<b>Brucknell No 1 Farm</b>	means the dairy farm located at 463 Moreys Road Brucknell Victoria.
<b>Brucknell No 2 Farm</b>	means the dairy farm located at 417 Moreys Road Brucknell Victoria.
<b>CBA</b>	means the Commonwealth Bank of Australia.
<b>CBA Loan</b>	has the meaning given in section 6.6.
<b>Company</b>	means APA Financial Services Limited (ABN: 36 057 046 607).
<b>Completion</b>	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 Offers and transfer of plant, equipment and livestock to the Company, 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.



<b>Consolidation</b>	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.
<b>Constitution</b>	means the Trust's constitution.
<b>Convertible Notes</b>	has the meaning given in section 6.6.
<b>Corporations Act</b>	means the Corporations Act 2001 (Cth) as amended.
<b>DFI Brucknell</b>	means Dairy Farm Investments (Brucknell) Limited (NZCN 2026356).
<b>DFI Management</b>	Dairy Farm Investments (Management) Limited (ABNZCN 3488151).
<b>DFI Operations</b>	means DFI Operations Pty Ltd (ACN 162 101 957).
<b>Director</b>	means a director of the Company.
<b>Eligible Shareholder</b>	means a shareholder of the Company or Trustees Australia on the Record Date who has a registered address in Australia or New Zealand.
<b>Fonterra</b>	means Fonterra Shareholders' Fund ARSN: 160 941 542.
<b>Interim Facility Trust</b>	has the meaning given in section 6.6.
<b>Interim Funding</b>	has the meaning given in section 6.6.
<b>Investigating Accountant's Report</b>	means the report prepared by Pitcher Partners set out in section 8.
<b>Lead Manager or Bell Potter</b>	means Bell Potter Securities Limited ABN: 25 006 390 772
<b>Leases</b>	means leases for the Brucknell Farms.
<b>Licences</b>	means a licence to use the Livestock, plant and equipment necessary to operate dairy farms from the Brucknell Farms.
<b>Listing Rules</b>	means the listing rules of the ASX.
<b>Livestock</b>	has the meaning given in section 6.6.
<b>Long Term Incentive Plan or Plan</b>	means the incentive plan for personnel of the Group attached as Annexure 4 to the Meeting Booklet.
<b>Loyalty Option</b>	means an option to be issued Stapled Securities on the terms set out in section 11.3
<b>Loyalty Option Record Date</b>	means the date 4 weeks after the admission of the Group to the Official List.
<b>Maximum Subscription</b>	means \$14,500,000 to be raised under the Offers.
<b>Meeting or Shareholder Meeting</b>	means the meeting of Shareholders to be held on 1 September 2014 to approve, amongst other things, the Proposal.
<b>Meeting Booklet</b>	means the notice for the Meeting, including the explanatory memorandum and product disclosure statement .
<b>Minimum Subscription</b>	means \$7,500,000 to be raised under the Offer.





<b>Offer Document</b>	means this prospectus for the purposes of Chapter 6D of the Corporations Act in relation to the Shares and this product disclosure statement for the purposes of Chapter 7 of the Corporations Act in relation to the Units.
<b>Offers</b>	means the Public Offer, the Priority Offer and the Broker Firm Offer.
<b>Official List</b>	means the official list of the ASX.
<b>Pitcher Partners or the Investigating Accountant</b>	means Pitcher Partners Corporate Finance Limited.
<b>Priority Offer</b>	means the offer of 10,000 Stapled Securities at an issue price of \$0.20 each, to Eligible Shareholders of the Company or Trustees Australia.
<b>Proposal</b>	means the transactions to be undertaken by the Group so that it can own and operate dairy farms, including the Stapling, the Offers, transferring the plant, equipment and livestock for Brucknell No 2 Farm, entering into Leases for the Brucknell Farms, and the acquisition of the Brucknell No 1 Farm, as fully set out in the Meeting Booklet.
<b>Proposed Constitution</b>	means the constitution proposed to be adopted for the Company at Completion (subject to Shareholder approval to be sought at the Meeting).
<b>Public Offer</b>	means the offer of up to 72,500,000 Stapled Securities at an issue price of \$0.20 each.
<b>Record Date</b>	means the record date to determine the Priority Offer, being 22 August 2014.
<b>Resolution</b>	means a resolution set out in the Meeting Booklet.
<b>Responsible Entity</b>	means the responsible entity of the Trust appointed from time to time in accordance with the Corporations Act.
<b>Responsible Entity Director</b>	means a director of Trustees Australia.
<b>Share Registry</b>	mean Link Market Services Limited ACN 083 214 537.
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means a holder of a Share.
<b>Stapled Security</b>	means a stapled security in the Australian Dairy Farms Group comprising one Share and one Unit.
<b>Stapled Securityholder or Securityholder</b>	a holder of a Stapled Security.
<b>Stapling</b>	means stapling Shares and Units in the manner set out in the Meeting Booklet.
<b>Stapling Deed</b>	the stapling deed between Trustees Australia as responsible entity of the Trust and APA Financial Services Limited.



<b>Stapling Issue</b>	means the issue of Units to eligible Shareholders so that current Shareholders hold Stapled Securities.
<b>SWDF</b>	means SW Dairy Farms Pty Limited, a proprietary limited company wholly owned by Trustees Australia incorporated for the purpose of holding the Leases, Licences and Livestock.
<b>Trustees Australia</b>	means Trustees Australia Limited ABN 42 010 653 862.
<b>Trustees Australia Transaction</b>	has the meaning given in section 6.6.
<b>Unit</b>	means a fully paid unit in the Australia Dairy Farms Trust.
<b>Warrnambool Cheese &amp; Butter</b>	means the Warrnambool Cheese And Butter Factory Company Limited ABN 48 004 032 053.



# Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Stapled Securities to which this Application Form relates are Shares in APA Financial Services Limited (to be renamed Australian Dairy Farms Limited) and Units in Australian Dairy Farms Trust. Further details about the Stapled Securities are contained in the Offer Document dated 20 August 2014 issued by Australian Dairy Farms Group. The Offer Document will expire 13 months after the lodgement date. While the Offer Document is current, Australian Dairy Farms Group will send paper copies of the Offer Document, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Offer Document. This Application Form is included in the Offer Document.

The Offer Document contains important information about investing in the Stapled Securities. You should read the Offer Document before applying for Stapled Securities.

- A Insert the number of Stapled Securities you wish to apply for. The Application must be for a minimum of 10,000 Stapled Securities and thereafter in multiples of 2,500. You may be issued all of the Stapled Securities applied for or a lesser number.
- B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Stapled Securities applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C Write the full name you wish to appear on the register of Stapled Securities. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Australian Dairy Farms Group will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E Please enter your postal address for all correspondence. All communications to you from Australian Dairy Farms Group and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Stapled Securities will be issued to Australian Dairy Farms Group's issuer sponsored subregister.
- G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.  
Make your cheque or bank draft payable to "Australian Dairy Farms Group" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.  
If you receive a firm allocation of Stapled Securities from your Broker make your cheque payable to your Broker in accordance with their instructions.

## LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEST) on 17 September 2014 (or such earlier date as the Group determines) at:

### Mailing Address

Australian Dairy Farms Group  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

### Hand Delivery

Australian Dairy Farms Group  
C/- Link Market Services Limited  
1A Homebush Bay Drive  
Rhodes NSW 2138  
(do not use this address for mailing purposes)

## PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au) for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

## CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Stapled Securities. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
<b>Individual</b> Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
<b>Company</b> Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
<b>Joint Holdings</b> Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
<b>Trusts</b> Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
<b>Deceased Estates</b> Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
<b>Minor (a person under the age of 18 years)</b> Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
<b>Partnerships</b> Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
<b>Long Names</b>	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
<b>Clubs/Unincorporated Bodies/Business Names</b> Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.





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- F** If you are already a CHES participant or sponsored by a CHES participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHES for this HIN is different to the details given on this form, your Stapled Securities will be issued to Australian Dairy Farms Group's issuer sponsored subregister.
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- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
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<b>Superannuation Funds</b> Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

## CORPORATE DIRECTORY

### DIRECTORS OF THE COMPANY

Mr Michael Hackett  
Mr Adrian Rowley  
Mr Graham Anderson (Retiring Director)  
Mr Keith Jackson (Proposed Director)

### COMPANY SECRETARY OF THE COMPANY

Mr Jerome Jones

### REGISTERED AND BUSINESS OFFICE

for the Company and Responsible Entity  
Level 1, 41 Edward Street  
Brisbane QLD 4001

Tel: (07) 3020 3020  
Fax: (07) 3020 3080

### WEBSITE

[www.apafs.com.au](http://www.apafs.com.au)

### SHARE REGISTRY

Link Market Services  
Level 15, 324 Queen Street  
Brisbane QLD 4000  
Tel: 1300 554 474

### SOLICITORS TO THE OFFERS

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

### DIRECTORS OF THE RESPONSIBLE ENTITY

Mr Michael Hackett  
Mr Nathan Leman  
Mr Kerry Daly

### COMPANY SECRETARY OF THE RESPONSIBLE ENTITY

Mrs Elizabeth Hackett

### WEBSITE

[www.trusteesau.com.au](http://www.trusteesau.com.au)

### LEAD MANAGER

Bell Potter  
Level 29  
101 Collins Street  
Melbourne , Victoria, 3000

### AUDITOR

Hayes Knight Audit (QLD) Pty Ltd  
Level 19, 127 Creek Street  
Brisbane QLD 4000



Australian Dairy Farms