



# Australian Dairy Farms

## PRELIMINARY FINAL REPORT

ASX CODE: AHF

**Australian Dairy Farms Group** consisting of:

Australian Dairy Farms Limited ABN 36 057 046 607 (the Company or Parent Entity) and

Australian Dairy Farms Trust ARSN 600 601 689 (the Trust)

### For the year ended 30 June 2015

For the period from 1 July 2014 to 22 October 2014, the Company, under its previous name APA Financial Services Limited was the ASX listed entity under ASX Code "APP".

From 23 October 2014 to 30 June 2015, the Group comprised the stapled entity of the Company and the Trust. The Company is the Parent Entity of the Consolidated Group.

From 28 October 2014 the Stapled Securities of the Group were listed on the ASX under ASX code "AHF". Each Stapled Security in the Group comprises one fully paid share in the Company and one fully paid unit in the Trust.

This report comprises the combined consolidated results of the listed entities and their subsidiaries for the full financial year ended 30 June 2015.

## RESULTS FOR ANNOUNCEMENT TO THE MARKET - (ASX CODE: AHF)

The reporting period to which this report relates is the year ended 30 June 2015 and the previous corresponding period is the year ended 30 June 2014. Throughout this report these periods are designated by the terms '2015' and '2014' respectively.

References to the 'Group' throughout this report relates to the Australian Dairy Farms Group and its controlled entities.

Reference to dollar amounts are in Australian dollars.

|   | %             | \$000<br>June<br>2015 | \$000<br>June<br>2014 |
|---|---------------|-----------------------|-----------------------|
|   | <b>Change</b> |                       |                       |
| Revenues from ordinary activities   | 90,733%       | 2,725                 | 3                     |
| Loss from ordinary activities after tax attributable to members of the stapled entity | (384%)        | (2,052)               | (424)                 |
| Net loss for the period attributable to members of the stapled entity                 | (808%)        | (2,052)               | (226)                 |

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

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## COMMENTARY ON ANNUAL RESULTS

### Director's Report

This Director's Report is for the information of securityholders and the market generally as part of the Appendix 4E Preliminary Final Report of the Group for the financial year ended 30 June 2015.

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

The principal activities of the Group during the year were:

- From July 2014 to 22 October 2014 (the "Pre-Stapling Period") the principal activity of the Company, as APA Financial Services Limited, was investment in securities. During this time the significant change in activity to become a stapled entity focused on the acquisition of dairy farms and production of milk for sale was progressively being implemented.
- From 22 October 2014 (the "Post-Stapling Period") the structure of the listed entity changed to that of a stapled security of Australian Dairy Farms Group, which was listed on ASX on 28 October 2014. The principal activity of the Group since settlement has been ownership and operation of dairy farms for the production and sale of milk.

### OPERATING RESULTS

The results for the financial year ended 30 June 2015 are a composite of:

- significant once-off consolidation and structural costs and expenses in raising new capital to transform the previous ASX listed "shell" of APA financial Services Limited to an ASX listed stapled security comprising a share in Australian Dairy Farms Limited and a unit in the Australian Dairy Farms Trust; and
- operational revenues and expenditure from the activities of dairy farming and milk production, which became the new core business of the Group from 23 October 2014.

In compliance with Australian Accounting Standards, many of the restructuring and capital raising costs, which may conceptually seem to be of a capital or equity nature are required to be written off through the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year incurred.

The consolidated net loss attributed to members of the Group, after providing for income tax was \$2,051,668 (2014: \$423,889).

This result was comprised of revenue and other income from dairy farming operations of \$2,701,075, other income from the gain on disposal of ASX listed securities previously held by the "shell" company of \$110,459 and interest received of \$38,398.

Revenue from dairy farming operations included:

- revenue from Brucknell No 1 Farm and Brucknell No 2 Farm from 23 October 2014 to 30 June 2015;
- revenue from Brucknell No 3 Farm from its settlement on 6 March 2015 to 30 June 2015 although for April and May of this period the whole milking herd was in its annual calving program and therefore not being milked. Consequently the result includes less than two months of milk production from this farm;
- Ignatios Farm, which settled on 14 January 2015, is a support farm for fodder production and does not derive revenue from milk production; and
- Brucknell No 4 Farm was acquired on 14 July 2015 and did not contribute to milk production during the financial year.

Expenses for the year were \$4,901,600, which included:

- impairment expenses on revaluation of land and buildings of \$638,165;
- fair value adjustment on biological assets of \$651,350;
- costs for corporate administration, professional fees and expenses associated with the restructure totalling \$779,281; and
- finance costs and amortisation and depreciation of \$252,936 and \$112,672 respectively.

From the first acquisition of farms and the commencement of milk production on 23 October 2014, the operating result for farm operations excluding impairment on land and buildings and fair value adjustments on biological assets is an EBITDA of \$233,879. This result was achieved on revenue and other income from dairy farm operations of \$2,701,075 less dairy related costs of \$2,015,122 and employment expenses of \$452,074.

During the year, the Group took advantage of reduced market prices for prime young dairy livestock related to the change in demand for the China dairy cattle breeding program and the high cull price, by selling many of the older dairy livestock in the herd to replace them with younger stock with stronger genetics. This is expected to result in greater milk production and improved herd health and breeding outcomes for the Group's herd in coming seasons.

## COMMENTARY ON RESULTS

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### NET FINANCIAL POSITION

The financial position of the Group has been materially transformed from its position at 30 June 2014 when it had net assets of \$483,449. The net assets of the Group at 30 June 2015 total \$25,086,678, an increase of \$24,603,229.

The key assets in the statement of financial position at 30 June 2015 are:

- cash and cash equivalents of \$14,871,060;
- property, plant and equipment of \$14,506,963; and
- biological assets (livestock) of \$2,369,500.

Total current and non-current borrowings of the Group are \$6,757,028 comprising bank and supplier borrowings of \$4,607,568 and the liability amount of the convertible note of \$2,149,460.

The total debt to assets ratio is 23% at 30 June 2015.

### REVIEW OF OPERATIONS

During the financial year ended 30 June 2015 the Group has undertaken several major steps in its new pathway to becoming a significant producer of fresh milk and an owner of dairy farms in Australia.

As expected and foreshadowed in securityholder briefings, the operations of the Group during the 2015 financial year have been very fluid as farms and management adapted to the changes in ownership and considerable management and director time and effort was directed at legal and administrative change activities, capital raisings and assessment of several new acquisitions and prospective ones.

It has been a period of very significant change, which has given a strong and interesting new direction to the business activities of the Group, introduced new security holders and new capital to provide a potentially very promising financial future for Australian Dairy Farms Group and its security holders as an aggregator of milk supply in Australia.

Notably the Group closed the financial year ended 30 June 2015 with cash and cash equivalents on hand of \$14,871,060 (2014: \$36,367). This has been achieved by undertaking three separate capital raisings, which raised net capital proceeds after costs of \$27,237,086 (2014: \$nil) and has placed the Group in a sound position to extend its production capabilities during the 2016 financial year.

The directors have already announced on 7 August 2015, the intended acquisition of the Heywood Farm which is scheduled for completion in mid-September 2015 and this acquisition marks the establishment of a second “hub” of farms for the future development of the Group’s farm portfolio.

Following is a brief summary of the most significant events during the year:

- 20 August 2014 Australian Dairy Farms Stapled Securities Prospectus & PDS lodged with ASIC
- 1 September 2014 EGM to approve the restructure to a stapled security
- 1 October 2014 AHF confirms new prospectus capital raising of \$9.4 million
- 23 October 2014 Completion of restructure transaction and acquisition of Brucknell 1 and 2 Farms
- 28 October 2014 AHF lists on ASX as a stapled security after finalising successful capital raising
- 18 November 2014 AHF acquires Ignatios Farm at auction for completion 14 January 2015
- 22 December 2014 AHF acquires Brucknell No 3 Farm for completion March 2015
- 30 December 2014 \$3.0 million placement to institutional and sophisticated investors
- 15 April 2015 AHF announces the appointment of Operations Manager for the Group
- 13 May 2015 Announcement of new capital raising of \$17.7 million
- 23 June 2015 Brucknell No 4 Farm acquisition becomes unconditional for July settlement

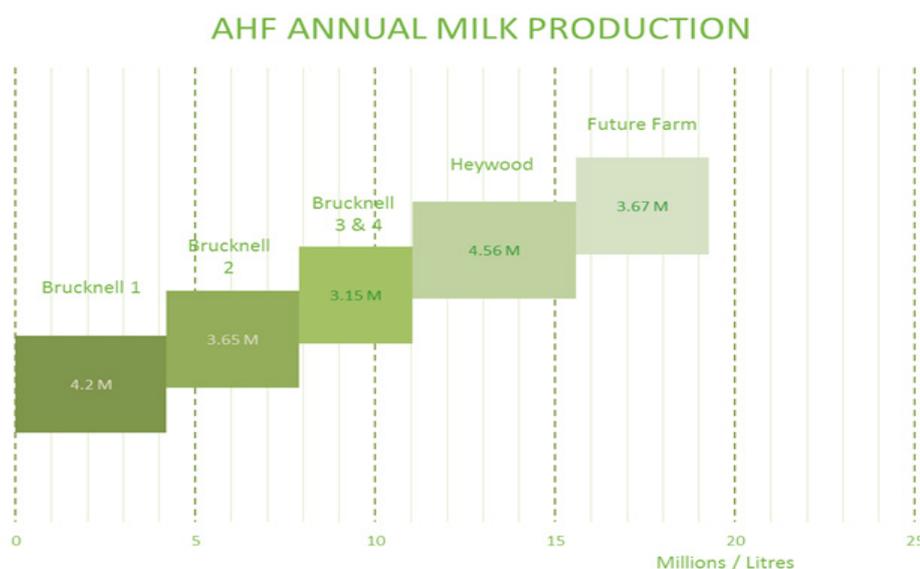
### REVIEW OF OPERATIONS

Milk prices linked to the global commodity price have experienced continued volatility in recent months. However Australian farm gate milk prices have retained their relative stability based on the significant proportion of Australian produced milk (65% approximately) which is needed to supply the domestic market for fresh milk and milk products and which is relatively price inelastic.

Major processors in Australia continue to maintain their farm-gate pricing expectations for the current financial year. Murray Goulburn (MGC) is the region's largest processor, collecting 38% of Australia's milk pool and consequently tends to set the Australian price. AHF notes that in MGC's full year results presentation released 31 August 2015 they confirm that the processor is adhering to its full year farm gate milk price forecast for the Southern Milk region of \$6.05 per kgms. This remains subject to certain assumptions including a material strengthening of commodity prices during the balance of FY16, foreign exchange and other risk factors. Like MGC, which already has 64% of its sales in higher margin ready to consume dairy foods for both domestic and international consumption, processors generally are moving to improve their sales mix away from commoditised products.

In terms of pricing for milk production, processors pay a significant premium for the fresh milk market, that is, milk for supply by processors to retail outlets such as supermarket chains. This is because this milk undergoes minimal processing before distribution and must be of higher quality than milk supplied for processing into powders, butter and other commodities. AHF has been actively improving its herd quality to be in a position to supply this market. The Brucknell 3 Farm and Brucknell 4 Farm are already contracted with Fonterra to supply fresh milk production. The total annual milk production volume of AHF has continued to grow with the acquisition of new farms and with improvement of existing operations. This will become evident in the full annual production figures once farms have been held and operated for a full 12 months. The annual production capability from the existing owned and contracted farms has increased from the initial 7.6 million litres in October 2014 to over 15 million litres after completion of the Heywood Farm acquisition scheduled for mid-September 2015. A further 3.67 million litres is expected on completion of a farm currently under negotiation.

The following chart indicates the incremental growth in total annual production from acquisition. These estimates are expected to be improved by enhancements of the properties over a 2-3 year period through stronger pasture and herd management and by implementing strategies such as enhancing drainage, irrigation, water capture and recycling.



The directors and management of the Australian Dairy Farms Group are confident of the future of the Group's business model and activities to date. It has been a very hectic two year transition to reach this point and the directors believe the Group is very well positioned to achieve the expectations of investors as the business develops. On behalf of the directors, I would like to thank everyone who has participated in the journey so far, particularly all of the investors who have chosen AHF as an investment vehicle for some of their funds. All investors can be assured that the directors and management will be working to make the Group successful.

Michael Leslie Hackett

Chairman

Brisbane

31 August 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

|   |           | June<br>2015       | June<br>2014     |
|---|-----------|--------------------|------------------|
|   | Notes     | \$                 | \$               |
| Revenue   | 1(a)      | 2,725,348          | 2,635            |
| Other income  | 1(b)      | 124,584            | -                |
| Administration and non-dairy related costs  | 1(c)(iv)  | (779,281)          | (426,356)        |
| Employment expenses   | 1(c)(iii) | (452,074)          | -                |
| Finance costs   | 1(c)(i)   | (252,936)          | (168)            |
| Dairy related costs   |           | (2,015,122)        | -                |
| Depreciation and amortisation   | 1(c)(ii)  | (112,672)          | -                |
| Fair value adjustment of biological assets  | 1(c)(v)   | (651,350)          | -                |
| Impairment of property, plant and equipment   | 1(c)(v)   | (638,165)          | -                |
| <b>Loss before income tax</b>   |           | <b>(2,051,668)</b> | <b>(423,889)</b> |
| Income tax expense  | 1(d)      | -                  | -                |
| <b>Net loss for the year</b>  |           | <b>(2,051,668)</b> | <b>(423,889)</b> |
| <b>Other comprehensive income</b>   |           |                    |                  |
| <b>Items that will be classified subsequently to profit or loss when specific conditions are met:</b> |           |                    |                  |
| Gain on available-for-sale financial asset  |           | 3,400              | 197,767          |
|   |           | 3,400              | 197,767          |
| <b>Items that will not be reclassified to profit or loss</b>  |           | -                  | -                |
| <b>Other comprehensive income for the year</b>  |           | <b>-</b>           | <b>197,767</b>   |
| <b>Total comprehensive loss for the year</b>  |           | <b>(2,048,268)</b> | <b>(226,122)</b> |
| <b>Loss is attributable to:</b>   |           |                    |                  |
| Company shareholders  |           | (815,973)          | (423,889)        |
| Trust unitholders   |           | (1,235,695)        | -                |
|   |           | <b>(2,051,668)</b> | <b>(423,889)</b> |
| <b>Total comprehensive loss is attributable to:</b>   |           |                    |                  |
| Company shareholders  |           | (812,573)          | (226,122)        |
| Trust unitholders   |           | (1,235,695)        | -                |
|   |           | <b>(2,048,268)</b> | <b>(226,122)</b> |
| <b>Earnings per stapled security:</b>   |           |                    |                  |
| Basic earnings per stapled security (cents)   | 18        | (3.02)             | (0.70)           |
| Diluted earnings per stapled security (cents)   | 18        | (3.02)             | (0.70)           |

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

|  | Notes | June<br>2015<br>\$ | June<br>2014<br>\$ |
|--|-------|--------------------|--------------------|
| <b>ASSETS</b>                              |       |                    |                    |
| <b>Current Assets</b>                      |       |                    |                    |
| Cash and cash equivalents                  | 2     | 14,871,060         | 36,367             |
| Trade and other receivables                | 3     | 770,078            | 21,229             |
| Inventories                                | 4     | 45,903             | -                  |
| Non-current assets held for sale           | 5     | 15,800             | 725,147            |
| Other current assets                       | 6     | 107,238            | 11,853             |
| <b>Total Current Assets</b>                |       | <b>15,810,079</b>  | <b>794,596</b>     |
| <b>Non-Current Assets</b>                  |       |                    |                    |
| Biological assets                          | 7     | 2,369,500          | -                  |
| Property, plant & equipment                | 8     | 14,506,963         | -                  |
| <b>Total Non-Current Assets</b>            |       | <b>16,876,463</b>  | <b>-</b>           |
| <b>Total Assets</b>                        |       | <b>32,686,542</b>  | <b>794,596</b>     |
| <b>LIABILITIES</b>                         |       |                    |                    |
| <b>Current Liabilities</b>                 |       |                    |                    |
| Trade and other payables                   | 9     | 830,734            | 304,495            |
| Provisions                                 | 10    | 12,102             | -                  |
| Borrowings                                 | 11    | 349,086            | 6,652              |
| <b>Total Current Liabilities</b>           |       | <b>1,191,922</b>   | <b>311,147</b>     |
| <b>Non-Current Liabilities</b>             |       |                    |                    |
| Borrowings                                 | 11    | 6,407,942          | -                  |
| <b>Total Non-Current Liabilities</b>       |       | <b>6,407,942</b>   | <b>-</b>           |
| <b>Total Liabilities</b>                   |       | <b>7,599,864</b>   | <b>311,147</b>     |
| <b>Net Assets</b>                          |       | <b>25,086,678</b>  | <b>483,449</b>     |
| <b>EQUITY</b>                              |       |                    |                    |
| Issued capital                             | 12    | 14,830,305         | 7,866,059          |
| Reserves                                   |       | 5,056              | 197,767            |
| Retained earnings                          |       | (8,396,350)        | (7,580,377)        |
| <b>Equity attributable to shareholders</b> |       | <b>6,439,011</b>   | <b>483,449</b>     |
| <b>Non-controlling interests</b>           |       |                    |                    |
| Trust unitholders                          |       | 18,647,667         | -                  |
| <b>Total Equity</b>                        |       | <b>25,086,678</b>  | <b>483,449</b>     |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

|  | Notes | June<br>2015<br>\$  | June<br>2014<br>\$ |
|--|-------|---------------------|--------------------|
| <b>Cash Flows from Operating Activities</b>                        |       |                     |                    |
| Receipts from customers  |       | 2,344,572           | -                  |
| Payments to suppliers and employees                                |       | (3,007,204)         | (150,114)          |
| Interest received  |       | 38,398              | 2,635              |
| Finance costs  |       | (144,595)           | (168)              |
| <b>Net operating cash flows</b>                                    |       | <b>(768,829)</b>    | <b>(147,647)</b>   |
| <b>Cash Flows from Investing Activities</b>                        |       |                     |                    |
| Payment for property, plant & equipment                            |       | (10,869,583)        | -                  |
| Proceeds from sale of non-current assets held for sale             | 5     | 627,095             | -                  |
| Payment for biological assets                                      | 7     | (2,059,637)         | -                  |
| Payment for deposits on property and equipment                     | 6     | (93,591)            | -                  |
| Cash from acquisition of Trust                                     | 14(b) | 2,731               | -                  |
| <b>Net investing cash flows</b>                                    |       | <b>(12,392,985)</b> | <b>-</b>           |
| <b>Cash Flows from Financing Activities</b>                        |       |                     |                    |
| Proceeds from issue of stapled securities net of transaction costs |       | 27,237,086          | -                  |
| Proceeds from related parties                                      |       | -                   | 20,000             |
| Net proceeds from loans - unsecured                                |       | 1,990               | 6,652              |
| Proceeds from CBA facility   | 11(b) | 4,000,000           | -                  |
| Proceeds from loan - Fonterra                                      | 11(a) | 260,000             | -                  |
| Net proceeds from bank hire purchase loans                         |       | 338,926             | -                  |
| Repayment of loans on acquisition of Trust                         | 14(b) | (3,841,495)         | -                  |
| <b>Net financing cash flows</b>                                    |       | <b>27,996,507</b>   | <b>26,652</b>      |
| <b>Net increase / (decrease) in cash held (refer note 14(b))</b>   |       | <b>14,834,693</b>   | <b>(120,995)</b>   |
| Cash at the beginning of the period                                |       | 36,367              | 157,362            |
| <b>Cash at the end of the financial period</b>                     |       | <b>14,871,060</b>   | <b>36,367</b>      |

The accompanying notes form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

|   | Issued<br>Capital<br>Ordinary | Financial<br>Asset<br>Revaluation<br>Reserve | Non-<br>controlling<br>Interest<br>(Trust) | Retained<br>Earnings | Total            |
|---|-------------------------------|--|--|----------------------|------------------|
|   | \$                            | \$   | \$   | \$                   | \$               |
| <b>Balance at 1 July 2013</b>                             | <b>7,866,059</b>              | -  | -  | <b>(7,156,488)</b>   | <b>709,571</b>   |
| <b>Comprehensive income for the period</b>                |                               |  |  |                      |                  |
| Loss attributable to company shareholders                 | -                             | -  | -  | (423,889)            | (423,889)        |
| Other comprehensive income                                | -                             | 197,767                                      | -  | -                    | 197,767          |
| <b>Total comprehensive income / (loss) for the period</b> | <b>-</b>                      | <b>197,767</b>                               | <b>-</b>                                   | <b>(423,889)</b>     | <b>(226,122)</b> |
| <b>Balance at 30 June 2014</b>                            | <b>7,866,059</b>              | <b>197,767</b>                               | <b>-</b>                                   | <b>(7,580,377)</b>   | <b>483,449</b>   |

|   | Issued<br>Capital<br>Ordinary | Financial<br>Asset<br>Revaluation<br>Reserve | Non-<br>controlling<br>Interest<br>(Trust) | Retained<br>Earnings | Total              |
|---|-------------------------------|--|--|----------------------|--------------------|
|   | \$                            | \$   | \$   | \$                   | \$                 |
| <b>Balance at 1 July 2014</b>   | <b>7,866,059</b>              | <b>197,767</b>                               | -  | <b>(7,580,377)</b>   | <b>483,449</b>     |
| <b>Comprehensive income for the year</b>                                    |                               |  |  |                      |                    |
| Loss attributable to company shareholders / trust unitholders               | -                             | -  | (1,235,695)                                | (815,973)            | (2,051,668)        |
| Other comprehensive income  | -                             | 3,400  | -  | -                    | 3,400              |
| <b>Total comprehensive income / (loss) for the year</b>                     | <b>-</b>                      | <b>3,400</b>                                 | <b>(1,235,695)</b>                         | <b>(815,973)</b>     | <b>(2,048,268)</b> |
| <b>Transactions with equityholders in their capacity as equity holders:</b> |                               |  |  |                      |                    |
| Contributions of equity, net of transaction costs                           | 6,964,246                     | -  | 20,427,841                                 | -                    | 27,392,087         |
| Issue convertible notes   | -                             | -  | 308,881                                    | -                    | 308,881            |
| <b>Total transactions with equity holders</b>                               | <b>6,964,246</b>              | <b>-</b>                                     | <b>20,736,722</b>                          | <b>-</b>             | <b>27,700,968</b>  |
| <b>Other</b>  |                               |  |  |                      |                    |
| Recognition of non-controlling interest in ADFT                             | -                             | -  | (853,260)                                  | -                    | (853,260)          |
| Trust units acquired on stapling  | -                             | -  | (100)                                      | -                    | (100)              |
| De-recognition of revaluation increment on disposal of OHPL shares          | -                             | (196,111)                                    | -  | -                    | (196,111)          |
| <b>Total other</b>  | <b>-</b>                      | <b>(196,111)</b>                             | <b>(853,360)</b>                           | <b>-</b>             | <b>(1,049,471)</b> |
| <b>Balance at 30 June 2015</b>  | <b>14,830,305</b>             | <b>5,056</b>                                 | <b>18,647,667</b>                          | <b>(8,396,350)</b>   | <b>25,086,678</b>  |

The accompanying notes form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 1: REVENUE AND EXPENSES

|   | June<br>2015     | June<br>2014   |
|---|------------------|----------------|
|   | \$               | \$             |
| <b>(a) Revenue</b>  |                  |                |
| <b>Revenue</b>  |                  |                |
| Sale of milk  | 2,366,824        | -              |
| Livestock sales   | 305,972          | -              |
| Rent received   | 14,154           | -              |
|   | <b>2,686,950</b> | <b>-</b>       |
| <b>Other revenue</b>  |                  |                |
| Interest received - other persons                               | 38,398           | 2,635          |
|   | <b>2,725,348</b> | <b>2,635</b>   |
| <b>(b) Other Income</b>   |                  |                |
| Gain on disposal of other financial assets (refer note 5)       | 110,459          | -              |
| Gain on disposal of property, plant and equipment               | 14,125           | -              |
|   | <b>124,584</b>   | <b>-</b>       |
| <b>(c) Expenses</b>   |                  |                |
| <b>(i) Finance costs</b>  |                  |                |
| CBA facility  | 126,387          | -              |
| Loans - unsecured   | 1,966            | 168            |
| Loans - Fonterra  | 560              | -              |
| Other   | 2,356            | -              |
| Finance charges payable under finance leases                    | 5,603            | -              |
| Interest on loans (related parties)                             | 7,723            | -              |
| Interest accrued convertible note (related parties)             | 108,341          | -              |
|   | <b>252,936</b>   | <b>168</b>     |
| <b>(ii) Depreciation and amortisation of non-current assets</b> |                  |                |
| Plant and equipment - owned                                     | 36,889           | -              |
| Plant and equipment - leased                                    | 10,138           | -              |
| Buildings and land improvements                                 | 65,645           | -              |
|   | <b>112,672</b>   | <b>-</b>       |
| <b>(iii) Employee benefits expense</b>                          |                  |                |
| Wages and salaries costs  | 397,380          | -              |
| Superannuation  | 34,905           | -              |
| Employee benefits provisions                                    | 19,789           | -              |
|   | <b>452,074</b>   | <b>-</b>       |
| <b>(iv) Administration and non-dairy related costs</b>          |                  |                |
| Administration costs  | 113,905          | 45,692         |
| Professional costs  | 309,608          | 225,664        |
| Directors fees  | 74,200           | 155,000        |
| Stapling transaction costs                                      | 281,565          | -              |
|   | <b>779,278</b>   | <b>426,356</b> |
| <b>(v) Other significant expenses</b>                           |                  |                |
| Fair value adjustment of biological assets (refer note 7)       | 631,350          | -              |
| Impairment of land and buildings (refer note 8)                 | 638,165          | -              |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### NOTE 1: REVENUE AND EXPENSES (cont'd)

##### (d) Tax Expense

###### (i) Tax Consolidated Group

The Company and its wholly owned Australian subsidiaries have implemented the tax consolidation legislation and formed a tax consolidated group. As a consequence these entities are treated as a single tax entity. The head entity within the tax consolidated group is Australian Dairy Farms Limited. The Trust is not part of the tax consolidated group.

###### (ii) Trust

Under current income tax legislation the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders.

###### (iii) Tax Losses for Year 30 June 2015.

Management have prepared tax estimates for the tax consolidated group for the year to 30 June 2015.

On the basis of these estimates, the directors believe that the Parent Entity and its wholly owned subsidiaries have no taxable income for the year to 30 June 2015 and have unbooked carried forward tax losses at 30 June 2015.

For the preparation of the report at 30 June 2015 directors determined that the recoverability of these tax losses is presently uncertain as a trend of profitable growth has not been fully established.

#### NOTE 2: CASH AND CASH EQUIVALENTS

|  | June<br>2015<br>\$ | June<br>2014<br>\$ |
|--|--------------------|--------------------|
| <b>Current</b>                         |                    |                    |
| Cash at bank and in hand               | 14,871,060         | 36,367             |
| <b>Total cash and cash equivalents</b> | <b>14,871,060</b>  | <b>36,367</b>      |

#### NOTE 3: TRADE AND OTHER RECEIVABLES

|                                  | Notes | June<br>2015<br>\$ | June<br>2014<br>\$ |
|----------------------------------|-------|--------------------|--------------------|
| <b>Current</b>                   |       |                    |                    |
| Trade debtors                    |       | 500,021            | -                  |
| Other receivables                | (a)   | 270,057            | 21,229             |
| <b>Total current receivables</b> |       | <b>770,078</b>     | <b>21,229</b>      |

(a) Other receivables is an estimate made by the Group in respect of amounts owing to the Trust under sharefarming arrangements between the Trust and DFI Brucknell Pty Ltd (DFI), the vendor of Brucknell No 2 Farm. From June 2013, until the completion of the acquisition of the Brucknell No 2 Farm on 22 October 2014, the Brucknell No 1 and Brucknell No 2 farms were operated together by DFI under a share farming agreement. The final allocation of revenue and expenses between the two properties (and owners) is not yet completed. An amount of \$450,000 was retained in the Trust's solicitors' trust account at settlement of the Brucknell No 2 Farm pending resolution of the reconciliation which is now imminent.

#### NOTE 4: INVENTORIES

|                           | June<br>2015<br>\$ | June<br>2014<br>\$ |
|---------------------------|--------------------|--------------------|
| <b>Current</b>            |                    |                    |
| Feedstock, hay and silage | 45,903             | -                  |
| <b>Total inventories</b>  | <b>45,903</b>      | <b>-</b>           |

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 5: NON-CURRENT ASSETS HELD FOR SALE

|  | Notes | June<br>2015<br>\$ | June<br>2014<br>\$ |
|--|-------|--------------------|--------------------|
| <b>Current</b>                                   |       |                    |                    |
| Non-current assets held for sale                 |       | 15,800             | 725,147            |
| <b>Total non-current assets held for sale</b>    |       | <b>15,800</b>      | <b>725,147</b>     |
| <b>Total available-for-sale financial assets</b> |       |                    |                    |
| Listed investment, at fair value                 |       |                    |                    |
| - shares in listed corporations                  | (i)   | 15,800             | -                  |
| Unlisted investment, at fair value               | (ii)  | -                  | 725,147            |
| <b>Total available-for-sale financial assets</b> |       | <b>15,800</b>      | <b>725,147</b>     |
| <b>Movements during the half-year:</b>           |       |                    |                    |
| Opening balance                                  |       | 725,147            | 527,380            |
| Proceeds from sales                              |       | (627,095)          | -                  |
| Financial asset revaluation reserve              |       | (192,711)          | 197,767            |
| Gain on disposal                                 |       | 110,459            | -                  |
| <b>Total non-current assets held for sale</b>    |       | <b>15,800</b>      | <b>725,147</b>     |

(i) OneVue Holdings Limited (OVH) listed on the ASX 24 July 2014. The Company held 2,071,850 shares in OVH and received shareholder approval for the board to sell those shares in OVH to provide working capital for the dairy aggregation project. There were progressive disposals in the year, realising proceeds of \$627,095. At 30 June 2015, 40,000 OVH shares were on hand and have been valued at \$0.395 each, the last traded price on 30 June 2015.

(ii) At 30 June 2014 the fair value of the OVH shares was reclassified as current to reflect the proposal by the board to dispose of the shares within the next 12 months.

### NOTE 6: OTHER ASSETS

|                           | Notes | June<br>2015<br>\$ | June<br>2014<br>\$ |
|---------------------------|-------|--------------------|--------------------|
| <b>Current</b>            |       |                    |                    |
| Prepayments               |       | 13,647             | 11,853             |
| Bonds and deposits        | (a)   | 93,591             | -                  |
| <b>Total other assets</b> |       | <b>107,238</b>     | <b>11,853</b>      |

(a) Included in bonds and deposits is a \$79,776 deposit on Brucknell No 4 farm which was subsequently acquired 9 July 2015 as disclosed in Note 17: Events after Balance Date.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

### NOTE 7: BIOLOGICAL ASSETS

|  | Notes | June<br>2015<br>\$ | June<br>2014<br>\$ |
|--|-------|--------------------|--------------------|
| <b>Non-current</b>                                 |       |                    |                    |
| Dairy livestock                                    | (a)   | 2,369,500          | -                  |
| <b>Total biological assets</b>                     |       | <b>2,369,500</b>   | -                  |
| <b>Movements during the year:</b>                  |       |                    |                    |
| Opening carrying amount                            |       | -                  | -                  |
| Acquisition of livestock acquired through stapling |       | 961,213            | -                  |
| Purchases of livestock                             |       | 2,059,637          | -                  |
| Fair value adjustment of biological assets         |       | (651,350)          | -                  |
| <b>Closing carrying amount</b>                     |       | <b>2,369,500</b>   | -                  |

| <b>Herd Size:</b> | <b>Number</b> | <b>Number</b> |
|-------------------|---------------|---------------|
| Dairy cattle      | 1,625         | -             |

(a) Biological assets represent the dairy livestock owned by the Group. The livestock is valued at fair value, by an independent stock agent, based on the prices in the open cattle market in the locality of the dairy operations. A fair value loss of \$345,378 has been recognised in profit and loss at 30 June 2015, and represents the decrease in carrying value of the livestock due to decreased market prices at year end.

### NOTE 8: PROPERTY, PLANT AND EQUIPMENT

|  | Note | June<br>2015<br>\$ | June<br>2014<br>\$ |
|--|------|--------------------|--------------------|
| <b>Land, buildings and improvements</b>    |      |                    |                    |
| - at cost                                  | (a)  | 14,016,159         | -                  |
| Less accumulated depreciation              |      | (65,645)           | -                  |
| Less accumulated impairment                | (b)  | (638,165)          | -                  |
|  |      | <b>13,312,349</b>  | -                  |
| <b>Plant and equipment - owned</b>         |      |                    |                    |
| - at cost                                  |      | 872,580            | -                  |
| Less accumulated depreciation              |      | (36,889)           | -                  |
|  |      | <b>835,691</b>     | -                  |
| <b>Plant and equipment - leased</b>        |      |                    |                    |
| - at cost                                  |      | 369,061            | -                  |
| Less accumulated depreciation              |      | (10,138)           | -                  |
|  |      | <b>358,923</b>     | -                  |
| <b>Total property, plant and equipment</b> |      | <b>14,506,963</b>  | -                  |

(a) Land, buildings and improvements – at cost represents the total holding costs of the Brucknell No 1 farm held by the Trust on the stapling date 22 October 2014, plus the purchase costs of the Brucknell No 2 Farm on the same date, the Ignatios Farm on 14 January 2015 and the Brucknell No 3 Farm on 6 March 2015, together with costs of acquisition, capitalised development and land improvement costs on all farms since their acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### NOTE 8: PROPERTY, PLANT AND EQUIPMENT (cont'd)

- (b) On 25 February 2015, registered valuer Mr Roger Cussen provided an update of his independent valuation dated 26 May 2014 on the 417 Moreys Road and 463 Moreys Road farms in light of then recent sales evidence, assessing the fair value of the combined two properties at \$8,336,000. This amount excluded capital development works at cost which were not considered in his most recent valuation. Adjusting the carrying cost on the basis of the independent valuation resulted in an impairment of \$638,165 for the half-year ended 31 December 2014. Capitalised government stamp duty on acquisition of the two properties amounted to \$502,520.

#### NOTE 9: TRADE AND OTHER PAYABLES

|                                       | June<br>2015<br>\$ | June<br>2014<br>\$ |
|---------------------------------------|--------------------|--------------------|
| <b>Current</b>                        |                    |                    |
| Trade creditors                       | 416,060            | 44,567             |
| Sundry creditors and accrued expenses | 414,674            | 259,928            |
| <b>Total trade and other payables</b> | <b>830,734</b>     | <b>304,495</b>     |

#### NOTE 10: PROVISIONS

|                         | June<br>2015<br>\$ | June<br>2014<br>\$ |
|-------------------------|--------------------|--------------------|
| <b>Current</b>          |                    |                    |
| Employee benefits       | 12,102             | -                  |
| <b>Total provisions</b> | <b>12,102</b>      | <b>-</b>           |

#### NOTE 11: BORROWINGS

|                                     | June<br>2015<br>\$ | June<br>2014<br>\$ |
|-------------------------------------|--------------------|--------------------|
| <b>Current</b>                      |                    |                    |
| Loans - unsecured                   | 8,642              | 6,652              |
| Bank hire purchase loans - secured  | 80,444             | -                  |
| Loan - Fonterra                     | 260,000            | -                  |
| <b>Total current borrowings</b>     | <b>349,086</b>     | <b>6,652</b>       |
| <b>Non-current</b>                  |                    |                    |
| Bank hire purchase loans - secured  | 258,482            | -                  |
| CBA facility                        | 4,000,000          | -                  |
| Convertible notes                   | 2,149,460          | -                  |
| <b>Total non-current borrowings</b> | <b>6,407,942</b>   | <b>-</b>           |
| <b>Total borrowings</b>             | <b>6,757,028</b>   | <b>6,652</b>       |

- (a) At 30 June 2015 the Group has a \$220,000 interest free advance from Fonterra Milk Australia Pty Ltd which has a maturity date of 30 November 2015 and a further \$40,000 low interest advance which was repaid in full on 26 August 2015.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### NOTE 11: BORROWINGS (cont'd)

- (b) At 30 June 2015 the Group had banking facilities with the Commonwealth Bank of Australia Limited (CBA) secured by registered mortgages and charges over the Brucknell No 1 and No 2 Farms and the Ignatios Farm. The facility was a three year loan facility of \$4,000,000 which had a maturity date of 22 October 2017. The facility was subject to compliance with pre-determined covenants and an annual review. The directors classified the facility as a non-current liability in its entirety based on the facility not maturing until 22 October 2017, the Group not intending to repay the facility prior to maturity date (other than as discussed below) and the meeting of all covenants during the period and subsequent to balance date.

Subsequent to year end, on 14 August 2015 the facility was amended to a new CBA three year redrawable loan facility of \$5,000,000 which has a maturity date of 14 August 2018. The facility remains secured by the same assets and is subject to compliance with pre-determined covenants with annual reviews. The facility is drawn to \$4,000,000 at the date of this report. Additional assets owned by the Group remain unencumbered by mortgages.

- (c) On 22 October 2014, the Group issued 235 unlisted convertible notes each with a face value of \$10,000. The key terms of the notes include a 2 year maturity date and the noteholder is able to convert the notes to fully paid Stapled Securities at a conversion price of 20 cents per stapled security. The notes bear interest at 2% above the rate paid by the Group on the CBA facility. Interest accrues daily and if the noteholder elects to convert to stapled securities, interest will be paid in cash or stapled securities issued at the conversion price at the Group's election. The directors have classified the notes as a non-current liability as under the terms of the agreement the issuer is unable to redeem the notes for cash until the maturity date which is greater than 12 months from 30 June 2015.

The Group has designated the convertible notes as a compound financial instrument comprising a debt component and an equity component. The debt component of the compound financial instrument was initially recognised at fair value of \$2,041,119 and the equity component of \$308,881 was initially recognised as the difference between the face value of the compound financial instrument and the fair value of the debt component.

Subsequent to initial recognition, the debt component of the compound financial instrument is measured at amortised cost using the effective interest method with a balance at 30 June 2015 of \$2,149,460. The equity component of the compound financial instrument is not remeasured.

#### NOTE 12: CONTRIBUTED EQUITY

|                                   | June<br>2015<br>\$ | June<br>2014<br>\$ |
|-----------------------------------|--------------------|--------------------|
| Contributed equity of the company | 14,830,305         | 7,886,059          |

##### (a) Movement in stapled securities:

| Date               | Details                   | Number<br>of Stapled<br>Securities | Issue Price<br>\$ | Shareholders<br>\$ | Unitholders<br>\$ | Stapled Entity<br>\$ |
|--------------------|---------------------------|------------------------------------|-------------------|--------------------|-------------------|----------------------|
| 01 Jul 2013        | Opening balance           | 60,986,733                         |                   | 7,866,059          | -                 | 7,866,059            |
| <b>30 Jun 2014</b> |                           | <b>60,986,733</b>                  |                   | <b>7,866,059</b>   | -                 | <b>7,866,059</b>     |
| 22 Oct 2014        | 1:5 share consolidation   | (48,789,323)                       | -                 | -                  | -                 | -                    |
| 22 Oct 2014        | Stapling arrangement      | -                                  | -                 | -                  | 100               | 100                  |
| 22 Oct 2014        | Convertible notes         | -                                  | -                 | -                  | 308,881           | 308,881              |
| 22 Oct 2014        | Capital Raising           | 46,485,500                         | 0.20              | 2,324,275          | 6,972,825         | 9,297,100            |
| 22 Oct 2014        | Payment of director fees  | 775,000                            | 0.20              | 155,000            | -                 | 155,000              |
| 30 Dec 2014        | Placement                 | 12,000,000                         | 0.25              | 750,000            | 2,250,000         | 3,000,000            |
| 15 Apr 2015        | Loyalty options exercised | 19,693                             | 0.25              | 1,230              | 3,693             | 4,923                |
| 10 Jun 2015        | Loyalty options exercised | 2,500                              | 0.25              | 156                | 469               | 625                  |
| 10 Jun 2015        | Share Purchase Plan       | 6,200,000                          | 0.20              | 310,000            | 930,000           | 1,240,000            |
| 22 Jun 2015        | Capital Raising           | 78,446,114                         | 0.20              | 3,922,306          | 11,766,917        | 15,689,223           |
|                    | Transaction costs         | -                                  | -                 | (498,721)          | (1,496,163)       | (1,994,884)          |
| <b>31 Dec 2014</b> |                           | <b>156,126,217</b>                 |                   | <b>14,830,305</b>  | <b>20,736,722</b> | <b>35,567,027</b>    |

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### NOTE 12: CONTRIBUTED EQUITY (cont'd)

##### (b) Stapled Securities

The fully paid ordinary shares in the Company are stapled with the fully paid units in the Trust to produce Stapled Securities. These entitle the holder to participate in dividends and distributions as declared from time to time and the proceeds on winding up. Subject to the Corporations Act 2001, every holder of stapled securities present at a meeting in person, or by proxy, is entitled to one vote for each stapled security held.

##### (c) Options

On 8 December 2014 the Group allotted 29,350,479 unlisted loyalty options over stapled securities pursuant to its bonus issue as set out in detail in the Offer Document dated 17 November 2014. On 27 February 2015, 23,561,307 options vested to the holders of loyalty options on that date in accordance with the issue terms of the loyalty options.

The vested loyalty options are not transferrable and may be exercised at any time on or after the vesting date of 27 February 2015 and before 31 March 2016 at the holders election by paying the exercise price of \$0.25. At 30 June 2015, 22,193 loyalty options have been exercised.

##### (d) Convertible Notes

On 22 October 2014, the Group issued 235 unlisted convertible notes each with a face value of \$10,000. The key terms of the notes include a 2 year maturity date and the noteholder is able to convert the notes to fully paid Stapled Securities at a conversion price of 20 cents per stapled security. The notes bear interest at 2% above the rate paid by the Group on the CBA facility. Interest accrues daily and if the noteholder elects to convert to stapled securities, interest will be paid in cash or stapled securities issued at the conversion price at the Group's election.

The convertible notes are a compound financial instrument comprising a debt component and an equity component. The debt component of the compound financial instrument has initially been recognised at fair value \$2,041,119 and the equity component of \$308,881 is initially recognised as the difference between the face value of the compound financial instrument and the fair value of the debt component. The equity component of the compound financial instrument is not remeasured.

#### NOTE 13: CONTROLLED ENTITIES

| Particulars in relation to controlled entities | Note | Class of Equity | June 2015<br>Percentage Owned | June 2014<br>Percentage Owned |
|--|------|-----------------|-------------------------------|-------------------------------|
| <b>Parent Entity:</b>                          |      |                 | %                             | %                             |
| Australian Dairy Farms Limited                 | (a)  |                 |                               |                               |
| <b>Wholly Owned Controlled Entities</b>        |      |                 |                               |                               |
| SW Dairy Farms Pty Ltd                         | (b)  | ordinary        | 100                           | -                             |
| Dairy Fund Management Limited                  |      | ordinary        | 100                           | 100                           |
| DFI Operations Pty Ltd (dormant)               |      | ordinary        | 100                           | 100                           |
| <b>Other Controlled Entities</b>               |      |                 | %                             | %                             |
| Australian Dairy Farms Trust                   | (c)  | units           | -                             | -                             |

The financial year of all controlled entities is the same as that of the holding company and all controlled entities are incorporated in Australia.

##### (a) Ultimate Controlling Entity

The directors believe that the ultimate controlling entity of the Group is Australian Dairy Farms Limited.

##### (b) Acquisition of subsidiary

On 22 October 2014 the Company acquired previously dormant SW Dairy Farms Pty Ltd to establish a farm operations company as part of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### NOTE 13: CONTROLLED ENTITIES (cont'd)

##### (c) Stapling arrangement

The stapling of the Company and the Trust was approved at separate meetings of the respective shareholders and unitholders on 1 September 2014. On 22 October 2014, shares in the Company and units in the Trust were stapled to one another and are now quoted as a single stapled security on the Australian Securities Exchange under the ASX code AHF.

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, the Company is identified as having acquired control over the assets of the Trust.

#### NOTE 14: STAPLING

##### (a) Summary of acquisition

On 1 September 2014, the Company resolved, subject to completion of the restructure of capital and acquisitions, to consolidate its issued capital on a 1 for 5 basis at the ASX nominated record date and to ratify entering into the Stapling Deed with the Trust to staple the securities of the Trust and the Company for the purpose of listing on ASX.

On 22 October 2014 the 60,986,733 shares on issue in the Company were consolidated into 12,197,347 consolidated Company shares. Simultaneously, in accordance with the Stapling Deed the Trust increased the number of issued units to 12,197,347 and each unit on issue was stapled to one consolidated Company share to form the Stapled Securities of Australian Dairy Farms Group.

For relevant stapling arrangements Australian Accounting Standards require an acquirer to be identified and the general principles in AASB 3 Business Combinations to be applied. In relation to the stapling of the Company and the Trust, the Company has been identified as the acquirer. The following additional accounting principles have also been applied:

- (i) no goodwill is recognised on acquisition of the Trust because no direct ownership interest was acquired by the Company in the Trust;
- (ii) the equity issued by the Company to Trust unitholders to give effect to the transaction is recognised at the dollar value of the consideration payable by the Trust unitholders. This is because the issue of shares by the Company was administrative in nature rather than for the purposes of the Company acquiring an ownership interest in the Trust; and
- (iii) the issued units of the Trust are not owned by the Company. The net assets of the Trust are identified as minority interests and presented as such in the consolidated statement of financial position within equity.

##### (b) Assets and liabilities acquired

The assets and liabilities arising from the acquisition of the Trust at the date of stapling were as follows:

|   | \$          |
|---|-------------|
| Cash and cash equivalents   | 2,731       |
| Trade and other receivables   | 229,707     |
| Other assets  | 19,116      |
| Biological assets   | 961,213     |
| Property, plant and equipment   | 4,328,502   |
| Trade and other payables  | (203,034)   |
| Borrowings - CBA facility   | (2,350,000) |
| Borrowings - related parties  | (3,841,495) |
| Net asset deficiency attributable to unitholders transferred to the stapled group | 853,260     |
| Net assets  | -           |

The assets and liabilities acquired are excluded from the consolidated statement of cash flows.

As part of the stapling transaction the Group issued \$2,350,000 convertible notes in part settlement of related party loans.

The Group issued 775,000 stapled securities valued at \$155,000 in lieu of payment of director fees.

##### (c) Non-cash flows in financing activities

There was an in-substance acquisition in relation to the stapling of the Company and the Trust, as a result of this the acquisition occurred for nil consideration and therefore no cash was paid to the acquirer.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2015

#### NOTE 15: SEGMENT REPORTING

Management has determined that the Group operates in one reportable segment, being the dairy industry in Australia.

#### NOTE 16: CONTINGENT LIABILITIES

On the 25 October 2013, the Company received a letter from solicitors representing Technology Capital Pty Ltd, a consultant to one of the parties involved in the dairy aggregation project indicating that Technology Capital Pty Ltd believed it may have a future claim against the company in respect of matters relating to amounts claimed to be payable to other parties to the proposed project. An announcement was made to the ASX advising that the directors were of the view that there is no valid claim that could be envisaged and directors remain of that view. No additional communication has been received from Technology Capital Pty Ltd in respect of this matter.

#### NOTE 17: EVENTS AFTER THE BALANCE DATE

On 9 July 2015 the Trust completed the acquisition of The Brucknell No 4, which joins the Brucknell No 3 farm. The property was purchased for \$1,595,516 excluding GST and stamp duty, plus livestock and chattels of \$365,000.

As announced to ASX on 7 August 2015, the Group is scheduled to complete the acquisition of Heywood No 1 Farm at Heywood in South West Victoria in mid-September 2015. The purchase price of \$4,750,000 includes a 600+ mega litre transferrable irrigation water licence. There is also an option to acquire the current livestock of approximately 500 cows subject to independent valuation shortly prior to settlement.

The directors are not aware of any other significant events post 30 June 2015.

#### NOTE 18: EARNINGS PER STAPLED SECURITY CALCULATIONS

The weighted average ordinary securities used in EPS is 67,982,297. Loyalty options and convertible notes are considered to be dilutive potential ordinary securities however they are anti-dilutive at 30 June 2015 as the Group is in losses and the ASX market price for AHF stapled securities is on or below the 20 cent conversion price of the convertible notes at the 30 June 2015.

#### NOTE 19: NET TANGIBLE ASSET BACKING PER SECURITY

|  | <b>2015</b>  | <b>2014</b>  |
|--|--------------|--------------|
|  | <b>Cents</b> | <b>Cents</b> |
| Net tangible asset backing per ordinary security | 16.1         | 0.8          |

#### NOTE 20: RELATED PARTY TRANSACTIONS

All arrangements with related parties continue to be in place. For details of these arrangements, refer to 30 June 2014 Annual Financial Report, 31 December 2014 Interim Financial Report and the various prospectuses lodged with ASX during the year.

#### NOTE 21: DIVIDENDS

No dividend has been paid or recommended during the reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

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### FOR THE YEAR ENDED 30 JUNE 2015

#### NOTE 22: DIVIDEND REINVESTMENT PLAN

The Group does not operate a Dividend Reinvestment Plan.

#### NOTE 23: FOREIGN ENTITIES

Not applicable.

#### NOTE 24: OTHER SIGNIFICANT INFORMATION

Refer to the Commentary on Annual Results.

#### NOTE 25: AUDIT STATUS

This Appendix 4E has been prepared from accounts which are in the process of being audited. There is no reason to believe that the Auditor's Report, when complete, will contain any qualification or material amendment.

The financial statements have been prepared in accordance with the accounting policies outlined in the June 2014 and December 2014 financial reports.