

AUSTRALIAN DAIRY FARMS GROUP
UPDATED PRO FORMA BALANCE SHEET – 30 JUNE 2014

The purpose of this document is to update the pro forma information contained in the Australian Dairy Farms Group Prospectus & Product Disclosure Statement dated 20 August 2014 (the “Offer Document”). As such this updated information should be read in conjunction with the Offer Document. Terminology used in this document has the same meaning as defined in the Offer Document.

The balance sheets of APA and the Trust as at 30 June 2014 and the updated pro forma balance sheet of the ADF Group (the stapled group of APA and the Trust) are set out below. The updated pro forma balance sheet assumes completion of the capital raised as part of the Public Offer and certain other transactions summarised in Note a). Selected other notes supporting this information are also included below.

\$'000	Company	Trust	Adjustments	Group
ASSETS				
Current assets				
Cash and cash equivalents	36	4	2,695	2,735
Receivables	21	249	-	270
Shares in OneVue	725	-	(453)	272
Other	13	9	-	22
	795	262	2,242	3,299
Non-current assets				
Livestock – dairy cattle	-	702	1,189	1,891
Plant and equipment	-	123	150	273
Land & buildings - dairy farms	-	4,203	3,854	8,057
	-	5,028	5,193	10,221
TOTAL ASSETS	795	5,290	7,435	13,520
LIABILITIES				
Current liabilities				
Trade and other payables	(311)	(192)	155	(348)
Loan – CBA	-	(2,250)	2,250	-
– Interim Facility Trust	-	(3,500)	3,500	-
	(311)	(5,942)	5,905	(348)
Non-current liabilities				
Loan – CBA	-	-	(3,750)	(3,750)
Convertible Notes	-	-	(2,350)	(2,350)
	-	-	(6,100)	(6,100)
TOTAL LIABILITIES	(311)	(5,942)	(195)	(6,448)
NET ASSETS	484	(652)	7,240	7,072
EQUITY				
Contributed equity	7,866	-	8,352	16,218
Reserves	198	-	-	198
Accumulated Losses	(7,580)	(652)	(1,112)	(9,344)
TOTAL EQUITY	484	(652)	7,240	7,072
No. of Stapled Securities on issue ('000) – Note d)				59,458
Net asset value per Stapled Security (cents)				11.9¢

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AUSTRALIAN DAIRY FARMS GROUP
NOTES TO ACTUAL AND UPDATED PRO FORMA BALANCE SHEETS

a) Pro forma Adjustments

The following adjustments have been made to present the updated pro forma balance sheet of the Group 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 updated pro forma balance sheet.
- (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 the 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 recognising impairment loss of \$105,000.
- (v) *Stapled Securities issued under the Offer* – The issue of 46,485,500 Stapled Securities at 20 cents each to raise \$9,297,000.
- (vi) *Costs associated with the Offer* – Estimated costs associated with the Public Offer of \$1,100,000 are assumed to have been paid.
- (vii) *Part repayment of loan owing to Interim Facility Trust* – The loan owing to Interim Facility Trust is increased by \$350,000 to fund losses of \$221,000 for the period from balance date to 30 September 2014 and the purchase of livestock (\$129,000). The Trust repays \$1,500,000 of the loan.
- (viii) *Issue of Convertible Notes* – The Group provides the Interim Facility Trust with Convertible Notes to repay the balance of the loan owing to the Interim Facility Trust of \$2,350,000 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 pro forma accounts, it has been assumed that the equity component under the proposed option agreement is immaterial.
- (ix) *Refinance bank loan* – The loan owing by the Trust to CBA of \$2,250,000 is refinanced following receipt of proceeds from the issue of Stapled Securities under the Offer and purchase of Brucknell No 1 Farm – see (x) below. CBA has offered the Group a finance facility of \$4 million, interest only for 3 years from the draw down date. For pro forma purposes, the existing debt at 30 June 2014 and the assumed debt on purchase of Brucknell No 1 Farm have been combined and shown as a non-current liability.

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- (x) *Purchase of Brucknell No 1 Farm* – Settlement of the Brucknell No 1 Farm Property is assumed to have occurred, estimated as follows:

\$'000	Company	Trust	Group
Purchase price	-	4,395	4,395
Acquisition costs	-	245	245
Livestock	1,060	-	1,060
Farm equipment	150	-	150
	1,210	4,640	5,850
Funded by:			
- Bank debt	-	1,500	1,500
- Public Offer	1,210	3,140	4,350
	1,210	4,640	5,850

- (xi) *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. The net loss on revaluation of the combined dairy farms has been calculated, for pro forma purposes, as follows:

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

b) Cash

The movement in cash as reflected in the updated pro forma balance sheet at 31 June 2014 is shown as follows:

	Note a)	\$'000
Cash at 30 June 2014 – Actual		
- Company		36
- Trust		4
Pro forma adjustments		
- Sale of shares in OneVue	(iv)	348
- Proceeds from the Offer	(v)	9,297
- Costs associated with the Offer	(vi)	(1,100)
- Purchase of Brucknell Farm No 1	(x)	(5,850)
- Proceeds from bank debt	(x)	1,500
- Repayment of loan – Interim Facility Trust	(vii)	(1,500)
		2,735
Cash at 30 June 2014 – Pro Forma		2,735

c) Borrowings

Bank loans are secured by first mortgages over the Trust's freehold land and buildings. See also note a) (ix) above.

The loan provided by the Interim Facility Trust (\$3,500,000 at 30 June 2014) also matured on 14 June 2014 and was 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 loan is assumed to have increased by \$350,000 by 30 September 2014. For pro forma purposes, the loan is part repaid from proceeds received under the Offer, as described in note a)(vii) above, and the balance (\$2,350,000) repaid through the issue of Convertible Notes as described below.

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 updated pro forma balance sheet 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.

d) Contributed Equity

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

	Note 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	(v)	46,486	46,486	46,486	9,297
Equity transaction costs	(vi)	-	-	-	(1,100)
Pro forma – 30 June 2014		59,458	59,458	59,458	16,218