



# Australian Dairy Farms Group

31 October 2016

ASX Code: AHF

## Commentary for Appendix 4C

- *Dairy processing sales growing and achieving budget forecasts.*
- *CDC customer and product diversification continues with improved processing margins.*
- *Dairy farms achieve budgeted milk production.*
- *Drainage and water retention benefits evident in wet farming environment.*

### Dairy processing (CDC) sales growing and achieving budget forecasts

CDC sales for Q1 2016 have risen to \$4.84m, which is a significant increase from the Q1 2015 comparative (prior to acquisition by AHF), with Gross Margin showing a 4.19% rise compared with the comparative period.

The above results are in line with budget expectations for the first full quarter of operations since completion of the transaction in mid-April 2016. With the current level of sales, stable margins and the sales pipeline growing in size and diversity, Q2 2016 is forecast to also show a further improved result notwithstanding generally lower fresh milk sales during the Christmas school holiday period.

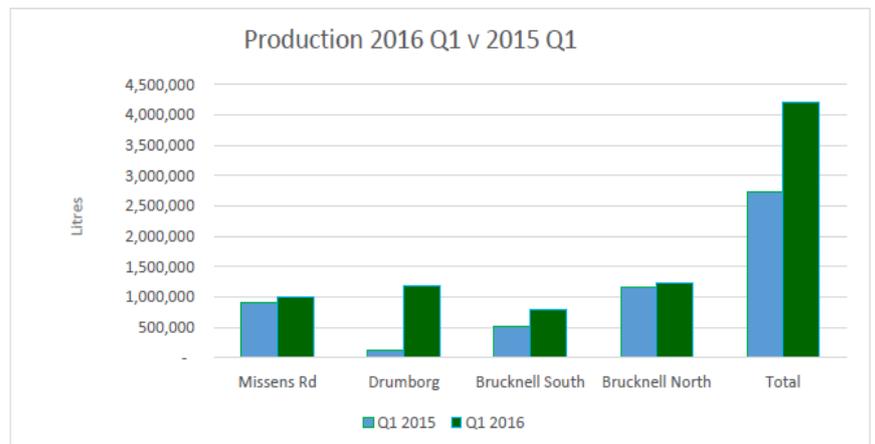
A significant growth in the Farmers Own branded milks through Woolworths stores has contributed to the stronger performance and support for the “farmer oriented” milk brands appears to be continuing.

### Dairy farms achieve budgeted milk production

The dairy farms have achieved a Q1 2016 milk volume production of 4.2 million litres, up 55% from the Q1 2015 comparative.

This increase largely reflects the increased farm base with the Missens Road Farm being acquired in 09 July 2015 and the Drumborg Farm in 16 September 2015; however, the result is in line with the budgeted production of 16 million litres for the full 2016 financial year.

Farm	Q1 2015	Q1 2016
Missens Rd	910,843	1,009,917
Drumborg	128,087	1,178,540
Brucknell South	516,645	795,105
Brucknell North	1,160,921	1,227,749
<b>Total</b>	<b>2,716,496</b>	<b>4,211,311</b>



**AUSTRALIAN DAIRY FARMS LIMITED**

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## Milk Pricing

The large processors' milk prices during the last two quarters have fluctuated from the initial low opening prices in July and market expectations are generally that the Australian domestic milk price will increase throughout the year.

Domestic milk production volumes have declined nationally in the last four months as many farmers are reducing milking herd numbers while the milk price has been at unusual lows. Indications are that the lower supply conditions will likely have a positive effect on pricing although this will vary between processors.

## Strategic Directions

AHF continues to evaluate the financial and logistical options available for the milk produced on AHF farms to be utilised in CDC operations while working cooperatively with its industry partners.

Relationships with the major and independent retail supermarket groups are being actively developed as these groups realise the flexibility of CDC as a supplier of specialty product lines in that the company is small enough to be boutique and big enough to produce significant volumes which can supply a national supermarket product line.

Investors should note that these industry and retail relationships are commercially sensitive and competitive and it is not in the interests of any long-term stakeholders in AHF to foreshadow expected outcomes before they are in the market themselves.

Several significant achievements have been made during the first quarter with Camperdown branded milk being distributed in a wide variety of Woolworths stores in Victoria and further achievements will be advised as information becomes public.

Additionally, a distribution agreement is in advanced negotiation stages, which will see Camperdown yogurts and butters distributed to large numbers of independent supermarkets throughout Victoria with positive expectations on volumes and growth.

The Group has executed non-disclosure agreements with several retail, distribution and production companies about mutual plans for supply, joint venture production and expansion. It is in the commercial best interests of the Company and all stakeholders that these negotiations remain confidential until completed.



## Camperdown Yoghurts “Ranged” in Woolworths stores from 7 November

The directors are pleased to advise that confirmation has been received that Camperdown branded yoghurts will be “ranged” in selected Woolworths stores from 7 November 2016. This is a significant move ahead as “ranging” refers to the industry term where particular products are allocated fixed shelf space within supermarkets and the sales of stock is automatically recorded at the checkout and reordered.

### China milk exports

AHF directors are actively working with the Chinese importer of Camperdown produced fresh milk to identify and implement a long-term solution to allow a recommencement of fresh milk exports to China. Camperdown Dairy has a strong and reliable relationship with Australian Lian, which has been exporting Australian dairy and other food products to China for several years.

The Directors expect to be in a position to provide an update on progress within a few weeks.

Ends.



## Further Details

For additional company information or media matters please contacts

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Director

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## **About Australian Dairy Farms Group**

**Australian Dairy Farms Group (AHF)** is Australia's first ASX listed dairy farmer. Its initial focus was on aggregating high quality dairy farms in Victoria, initially in the South Western region with particular emphasis initially, on the famous Dairy Golden Triangle region of South West Victoria between Warrnambool and Colac south of the Princes Highway to the coast around Port Campbell.

On 29 December 2015, AHF announced to ASX that it had entered into a contract to acquire Camperdown Dairy Company Pty Ltd - ACN 140 640 606 (CDC) – see announcement on <http://www.adfl.com.au/announcements>. This transaction has now completed and CDC is a wholly owned subsidiary of AHF. The Group is now a vertically integrated milk producer, processor and product distributor in Australia and for export.

**Australian Dairy Farms Group** is listed as a stapled security comprising one fully paid share in **Australian Dairy Farms Limited** (the Company) and one fully paid unit in **Australian Dairy Farms Trust** (the Trust). Within the structure, the Company is the operator and manager of the dairy farm properties, which are leased from the Trust as the registered owner.

## **Disclaimer**

This announcement may include "forward looking statements" within the meaning of securities laws of applicable jurisdictions. These forward-looking statements are not historical facts but are based on AHF's current expectation, estimates and projections about the industry in which it operates, and beliefs and assumptions. Forward Looking Statements may include indications of, and guidance on, future earnings or distributions and financial position and performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of AHF, and its officers, employees, agents, or associates, that may cause actual results to differ materially from any projections and forward-looking statements and the assumptions on which those statements are based. Readers are cautioned not to place undue reliance on forward looking statements and AHF assumes no obligation to update such information.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Australian Dairy Farms Group, Comprising:  
Australian Dairy Farms Limited - ABN: 36 057 046 607; and  
Australian Dairy Farms Trust – ARSN: 600 601 689

**ABN**

See Above

**Quarter ended (“current quarter”)**

30 September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	7,779	7,779
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(6,477)	(6,477)
(c) advertising and marketing	(2)	(2)
(d) leased assets	(4)	(4)
(e) staff costs	(1,084)	(1,084)
(f) administration and corporate costs	(171)	(171)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
1.5 Interest and other costs of finance paid	(121)	(121)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(77)</b>	<b>(77)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(285)	(285)
(b) businesses (see item 10)	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	(297)	(297)
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	2	2
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(580)</b>	<b>(580)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	97	97
3.6 Repayment of borrowings	(76)	(76)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>21</b>	<b>21</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,472	2,472
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(77)	(77)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(580)	(580)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	21	21

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>1,836</b>	<b>1,836</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	1,836	1,836
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,836</b>	<b>1,836</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

<b>Current quarter \$A'000</b>
27
-

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**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

<b>Current quarter \$A'000</b>
-
-

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	10,000	10,000
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Commonwealth Bank of Australia Limited – Secured Facility  
Variable Interest Rate: 4.13%

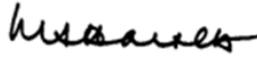
9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(5,681)
9.3 Advertising and marketing	(2)
9.4 Leased assets	(4)
9.5 Staff costs	(1,035)
9.6 Administration and corporate costs	(130)
9.7 Other (provide details if material)	(131)
<b>9.8 Total estimated cash outflows</b>	<b>(6,983)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



(Director)

Date: 31 October 2016

Print name: Michael Hackett

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.