

**TAU SHAREHOLDER AND MARKET UPDATE**

**3 DECEMBER 2014**

Trustees Australia Limited (Trustees Australia or the Company) has undergone a number of changes to its asset structure in recent weeks compared with the last published financial accounts to 30 June 2014, predominantly as a result of the successful ASX listing of Australian Dairy Farms Group.

As part of the Company's continuous disclosure requirements, the Directors of Trustees Australia feel it is appropriate that an explanatory update be provided to shareholders and the market generally about the Company's present balance sheet position and the positive impact of recent events, together with a brief general update about the current outlook of the Group's main activities. Note that the financial calculations relating to 31 October 2014 in this update have not been audited or reviewed.

**In broad overview, the primary changes to the Trustees Australia Limited Consolidated Group Financial Accounts at 31 October 2014 compared with at 30 June 2014 are as follows:**

- **Shareholders' Equity has increased by \$1,829,926 from \$8,582,091 to \$10,412,017**
- **Group borrowings have decreased by \$3,581,157 from \$3,707,327 to \$126,170**
- **Cash has increased by \$812,959 from \$115,104 to \$928,063**
- **Net Tangible Assets per share have increased by 5 cents from 24 cents to 29cents**
- **No change has been made to valuations of conservatively valued property assets**

Australian Dairy Farms Group was listed on 28 October 2014 as a Stapled Security comprised of one fully paid share in Australian Dairy Farms Limited and one fully paid unit in Australian Dairy Farms Trust. The market value of stapled securities in Australian Dairy Farms Group was taken as 28.5 cents each in the above calculations.

Australian Dairy Farms Group issued Stapled Securities under a Prospectus and Product Disclosure Statement and raised new capital of approximately \$9.3 million from international and domestic institutional and retail investors. Please visit the ASX Announcements platform under ASX Code "AHF" to view or download copies of relevant documents detailing those offer documents for background reference purposes.

As a consequence of the separate ASX listing of Australian Dairy Farms Group and the partial repayment of inter-entity loans, there has been a material positive impact on the presentation of the Australian Dairy Farms Group investment in the Trustees Australia Group's financial accounts, and as a result, in the calculation of Net Tangible Assets per Share (NTA).

At 30 June 2014, Australian Dairy Farms Trust was a fully consolidated entity within the Trustees Australia Group and Australian Dairy Farms Limited (previously APA Financial Services Limited – ASX code APP), in which Trustees Australia held a 33.4% direct interest and shared a common director, was treated as an investment in associates.

*Current Status*

Trustees Australia's current interest in Australian Dairy Farms Group is a direct security-holding of 4,096,200 Stapled Securities (6.89% in Australian Dairy Farms Group) and 145 convertible notes with a face value of \$1,450,000 (approximately 10.12% on a diluted basis as if converted).

Associates of Trustees Australia, being private entities associated with director Michael Hackett which also advanced funds to the Australian Dairy Farms Trust, hold an additional 452,865 Stapled Securities and 90 convertible notes with a face value of \$900,000. Taken together, Trustees Australia and the associated Hackett Interests hold a direct interest of 7.65% and a further interest of 15.24% by virtue of the convertible notes (on a diluted basis as if all convertible notes were converted at current capital issuance).

The terms of issue of the Convertible Notes are, broadly, that they have a term of two years from the date of issue on 22 October 2014 and pay a coupon interest rate of 2% per annum above Australian Dairy Farms Group's borrowing from CBA and can be redeemed by Australian Dairy Farms Group at face value or converted by the noteholder to fully paid Stapled Securities at 20 cents per security within that term. Full

details of the terms of the Convertible Notes may be obtained from the ASX announcements platform under ASX code AHF (27/10/2014).

## **AUSTRALIAN DAIRY FARMS GROUP**

### ***Background***

Trustees Australia initially became involved with Australian Dairy Farms Group in its capacity as the trustee (and future responsible entity) of a trust which was formed to be the purchaser of dairy farms in association with a potential reverse takeover of APA Financial Services Limited by a New Zealand group in late 2012.

For various reasons, which are on the public record, the proposal ended up with Trustees Australia taking the major role in the project, which in October 2014 resulted in the successful ASX relisting.

### ***Priority Offer***

All Trustees Australia shareholders were offered a priority entitlement of 10,000 Stapled Securities at 20 cents each. Shareholders who took up the offer have seen recent sales of Australian Dairy Farms Group Stapled Securities up to 37 cents, while the most recent sales have been around 30 cents.

## **MAGNUMS BACKPACKERS**

Trading at Magnums Airlie Beach has been experiencing a worthwhile change in trend turnover in the last 6 months, which has coincided with recent weakness in the A\$ exchange rate and management is hopeful that this change in trend will be sustained.

Magnums Backpackers won the Backpacker segment of the Whitsunday Tourism Awards in September 2014 which is the third consecutive win for the property, which has now been recorded in the Whitsunday's Tourism "Hall of Fame". On 28 November last, Magnums was also awarded runner-up in the Queensland Tourism Awards for the backpacker category. This is a credit to operational staff and management who have continually presented the property well and who ensure that the operations maintain best practice management, safety and workplace conditions.

## **WHITSUNDAY VILLAGE RETAIL PROPERTY TRUST**

Whitsunday Village Retail Property Trust is a managed investment scheme in which Trustees Australia holds a 43% interest and is also its responsible entity. The assets comprise retail shops known as Airlie Central in the main street of Airlie Beach adjacent to a new Woolworths Supermarket, which opened in April 2014.

After experiencing some challenging rental periods in recent years because of difficult trading conditions at Airlie Beach, Airlie Central has achieved strong gains in rental activity and interest in sales. More than 97% of retail tenancy space in Airlie Central is now either fully leased or in final contract stage with solid longer term leases in place with a range of mostly national tenants.

Directors have not yet formally reviewed book carrying values for the retail shops however some growth in asset value from heavily written down values currently in the financial accounts is expected based on the rental growth that has been experienced in new and renewed leases.

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