

INTERIM FINANCIAL REPORT

For the Half-Year ended 31 December 2014

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

For the half-year ended 31 December 2014

(All comparisons to half-year ended 31 December 2013)

	%	\$000	\$000
	Change	December 2014	December 2013
Revenues from ordinary activities	18%	2,276	1,929
Profit from ordinary activities after tax attributable to members	192%	219	(237)
Net profit for the period attributable to members	766%	1,639	(246)
		cents	cents
Net tangible asset backing per security		28.4	23.7

Dividend Information	Amount per Share (Cents)	Franked Amount per Share (Cents)	Tax Rate for Franking (%)
Final dividend	Nil	Nil	Nil
Interim dividend	Nil	Nil	Nil
Record date			Not Applicable

The group does not have any dividend re-investment plan in operation.

Loss or gain of control over other entities

On 22 October 2014 the group disposed of the Dairy Farm Investments Trust. See Note 2.

Associates

	% holding	% holding
Whitsunday Village Retail Property Trust No 1	42.92	42.92
Australian Dairy Farms Group - (formerly APA Financial Services Limited)	-	33.58
	\$,000	\$,000
Aggregate share of net profit from the associates listed above	39	10

Audit Status

This report has been subject to audit review. There is no dispute or qualification to report.

Refer to the Directors' Report and Interim Financial Report for additional information.

DIRECTORS' REPORT

The board of directors of Trustees Australia Limited (Trustees Australia) submits to members the Interim Financial Report of the company and its controlled entities (group) for the half-year to 31 December 2014.

PRINCIPAL ACTIVITIES AND CHANGES IN THE NATURE OF THOSE ACTIVITIES

The principal activities of the group during the half-year were: -

Financial Services Activities comprising:

- custodial and responsible entity services through Trustees Australia;
- fixed interest broking and advisory through Rim Securities Limited (RIMsec); and
- investments in Australian Dairy Farms Group (ADFG) comprising stapled securities, options and convertible notes. ADFG which listed on ASX (Code AHF) during the period under review and owns dairy farms and dairy livestock in Victoria's South West district. Trustees Australia Limited is the Responsible Entity of Australian Dairy Farms Trust.

The investment in ADFG includes the previously held securities investment in APA Financial Services Limited and the property interest in a dairy farm and livestock held as assets of Australian Dairy Farms Trust within the group in the previous corresponding period. Other than the change in the investment in ADFG, there has been no significant change in the scale or nature of the group's activities during the half year.

Tourism and Hospitality Activities comprising:

- the ownership and operation of Magnums Airlie Beach Backpackers in Queensland Resorts Pty Ltd.

Property Activities comprising:

- development property ownership in Trustees Australia;
- a 43% interest in the Whitsunday Village Retail Property No 1 (WVRPT), a managed investment scheme holding retail shops at Airlie Beach. Trustees Australia Limited is the Responsible Entity of WVRPT.

BUSINESS MODEL AND OBJECTIVES

The group continues to modify the structure of its operations and assets to concentrate on its financial services activities to be in a position to grow the company while maintaining the transparency of its strategies and business focus. The completion of the restructure of APA Financial Services Limited and listing of Australian Dairy Farms Group on ASX is an important step in this development process and has resulted in a material improvement to the results of the group and its capital structure.

OPERATING RESULTS

The consolidated net profit for the half year to 31 December 2014 attributed to members of Trustees Australia, after providing for income tax and eliminating outside equity interests, was \$928,613 (2013: \$ 236,545 loss).

The result was achieved on revenue and other income of \$2,276,408, which includes operating revenue of \$1,761,725 (2013: \$1,883,565) and fair value adjustments in respect of securities held of \$514,683 (2013: \$45,455).

Other comprehensive income of \$710,443 is primarily the result of revaluation gains on ADFG stapled securities with total comprehensive income attributable to members of Trustees Australia \$1,639,056 (2013: \$245,610 loss).

Total expenses of \$2,098,298 decreased by \$28,967 from the 2013 comparative.

FINANCIAL RESULTS

The net assets of the group increased by \$1,637,791 to \$10,219,882 at 31 December 2014, compared with \$8,582,091 at 30 June 2014. This was predominantly as a result of the successful listing of Australian Dairy Farms Group and the deconsolidation from the consolidated Trustees Australia group of Australian Dairy Farms Trust.

The group has nominal borrowings of \$146,528 (2014: \$3,707,327).

Net tangible asset backing per issued share was 28.4 cents at 31 December 2014 compared with 23.7 cents at 31 December 2013.

REVIEW OF OPERATIONS

TOURISM AND HOSPITALITY SERVICES SEGMENT

MAGNUMS BACKPACKER OPERATIONS

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. However, the business is a 365 days per year operation and the impact of penalty rates for staff remuneration on weekends and

DIRECTORS' REPORT

REVIEW OF OPERATIONS (cont'd)

• MAGNUMS BACKPACKER OPERATIONS (CONT'D)

holidays is significant. Improvements in computerised online booking systems and diversified products have been implemented and are expected to result in higher turnover and profitability.

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 Whitsunday Tourism's "Hall of Fame". 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.

FINANCIAL SERVICES SEGMENT

• CUSTODY, RESPONSIBLE ENTITY AND TRUSTEE SERVICES

The growth of existing funds for which Trustees Australia acts as Responsible Entity and commencement of formal responsibility services for ADFT in the financial period under review has instigated investigation into expanding the group's activity in these fields. This has combined with recognition by directors of significant investor interest in funds with exposure to the Australian agricultural sector as well as for fixed interest product funds. The board intends to explore opportunities for expansion of funds management activities in these segments.

• FIXED INTEREST SPECIALISTS (RIMSEC)

Rim Securities Limited provides fixed income brokerage services to a range of wholesale and retail customers. For some time there has been considerable resources directed to completing and enhancing systems design to support dealing staff and computer based systems which are essential for efficient operation of the business and its growth. Opportunities to implement new fixed interest product development are currently in progress and expected to be operational in the current financial year.

• AUSTRALIAN DAIRY FARMS GROUP

On 28 October 2014 Australian Dairy Farms Group listed on ASX as Australia's first listed dairy farmer after successfully raising \$9,290,100 in new capital from a range of institutional and retail investors after the settlement of the purchases of dairy property and livestock in accordance with the prospectus and PDS issued by Australian Dairy Farms Group. This success was followed up in December 2014 with a further placement of \$3,000,000 to institutional and sophisticated investors to fund acquisition of additional farms

Australian Dairy Farms Group has entered the Australian dairy industry as a farm owner and operator to produce fresh milk for sale to milk processors and intends to progressively aggregate dairy farms in prime dairy producing regions of Victoria and over time to become a major and profitable supplier of milk.

Trustees Australia and interests associated with the group's Chairman and Managing Director, Michael Hackett, (Hackett Interests) provided seed capital funds to Australian Dairy Farms Trust during the prior financial year to facilitate the acquisition of certain farm property and livestock to initiate the dairy project, and together, were instrumental to the process of successfully listing Australian Dairy Farms Group on ASX.

At the date of this report, the group and the Hackett Interests together hold approximately 16.62% of Australian Dairy Farms Group on a fully diluted basis assuming all securities on issue became fully paid securities. The holding is comprised of the following securities and holders:

Holders	Stapled Securities	Convertible Notes	Loyalty Options	Total	Percentage
Trustees Australia and Hackett Interests	4,549,065	11,915,860	2,274,533	18,739,458	16.62%
Securities on issue in Australian Dairy Farms Group	71,457,910	11,915,860	29,350,479	112,724,249*	100%

* Assumes all Loyalty options on issue vest on 27 February 2015

DIRECTORS' REPORT

REVIEW OF OPERATIONS (cont'd)

PROPERTY SEGMENT

- WHITSUNDAY VILLAGE PROPERTY TRUST

As advised in recent reports 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, AirlieCentral has achieved strong gains in rental activity and interest in sales. More than 97% of retail tenancy space in Airlie Central is now fully leased with solid longer term leases in place with a range of mostly national tenants.

Directors have not yet engaged independent valuers to formally review book carrying values for the retail shops however directors are of the view that some growth in asset value from heavily written down values currently in the financial accounts is to be expected based on the rental growth that has been experienced in new and renewed leases.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The group's immediate focus is on business strategy, simplifying structure and operations as mentioned above.

The group is exposed to business risk that may affect its ability to achieve the above objectives, including market conditions in the financial services segment, the volatility of property and milk prices in regards to the Australian Dairy Farm Group and the Australian currency and poor economic conditions in countries of origin of international backpackers in the tourism segment.

INFORMATION ON DIRECTORS

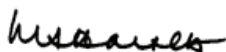
The following persons held office as directors of the group during or since the end of the half-year. The names and details of the directors are:

Name	Position	Appointed
Michael Hackett	Managing Director / Acting Chairman	25 July 1986
Kerry Daly	Director	17 March 2009
Nathan Leman	Director	24 November 2010

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under S 307C of the Corporations Act 2001 is set out on page 23 for the half-year ended 31 December 2014.

This report is signed in accordance with a resolution of the board of directors.



Michael Leslie Hackett

Managing Director / Acting Chairman

Brisbane

27 February 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

		December 2014	December 2013
	Notes	\$	\$
Revenue		1,761,725	1,883,565
Other income	2	514,683	45,455
Business operating expenses		(403,457)	(379,609)
Employment expenses		(1,110,090)	(1,207,220)
Finance costs		(13,635)	(5,310)
Property operating expenses		(366,206)	(297,261)
Other expenses		(204,910)	(237,865)
Share of net profit from associate		39,813	10,131
Profit / (loss) before income tax	2	217,923	(188,113)
Income tax benefit /(expense)		-	-
Profit / (loss) for the period from continuing operations		217,923	(188,113)
Discontinued operations			
Profit / (loss) from discontinued operations after tax	2	709,425	(49,652)
Net profit / (loss) for the period		927,348	(237,765)
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
Net gain / (loss) on revaluation of financial assets	2	710,443	(9,065)
Income tax relating to items that may be subsequently reclassified		-	-
		710,443	(9,065)
Items that will not be reclassified to profit or loss		-	-
Other comprehensive income / (loss) for the period, net of tax		710,443	(9,065)
Total comprehensive income / (loss) for the period, net of tax		1,637,791	(246,830)
Profit / (loss) attributable to:			
Members of the parent entity		928,613	(236,545)
Non-controlling interest		(1,265)	(1,220)
		927,348	(237,765)
Total comprehensive income / (loss) attributable to:			
Members of the parent entity		1,639,056	(245,610)
Non-controlling interest		(1,265)	(1,220)
		1,637,791	(246,830)
Earnings per share:			
From continuing and discontinued operations			
Basic earnings per share (cents)		2.8	(0.7)
Diluted earnings per share (cents)		2.8	(0.7)
From continuing operations			
Basic earnings per share (cents)		0.7	(0.5)
Diluted earnings per share (cents)		0.7	(0.5)
From discontinued operations			
Basic earnings per share (cents)		2.1	(0.2)
Diluted earnings per share (cents)		2.1	(0.2)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Notes	December 2014 \$	June 2014 \$
Current Assets			
Cash and cash equivalents		767,149	115,104
Trade and other receivables	5	479,838	1,121,405
Inventories		7,072	9,388
Investment Property	2	-	4,325,593
Biological assets	2	-	702,200
Other current assets		318,880	282,423
Total Current Assets		1,572,939	6,556,113
Non-Current Assets			
Inventories		1,326,178	1,326,178
Financial assets	6	3,109,996	19,010
Intangibles		826,098	732,728
Investments in associates	7	1,300,740	1,448,275
Property, plant & equipment		4,403,701	4,476,046
Total Non-Current Assets		10,966,713	8,002,237
Total Assets		12,539,652	14,558,350
Current Liabilities			
Trade and other payables		1,145,670	1,591,663
Borrowings	8	146,528	3,707,327
Provisions		129,326	104,315
Total Current Liabilities		1,421,524	5,403,305
Non-Current Liabilities			
Trade and other payables		346,658	-
Provisions		551,588	572,954
Total Non-Current Liabilities		898,246	572,954
Total Liabilities		2,319,770	5,976,259
Net Assets		10,219,882	8,582,091
Equity			
Issued capital		4,058,525	4,058,525
Reserves		727,203	16,760
Retained earnings		5,425,063	4,496,450
Parent entity interest		10,210,791	8,571,735
Non-controlling interest		9,091	10,356
Total Equity		10,219,882	8,582,091

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	December 2014	December 2013
Notes	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	1,967,899	1,941,772
Payments to suppliers and employees	(2,187,157)	(1,837,313)
Trust distributions	9,269	13,630
Interest received	4,839	5,919
Finance costs	(50,846)	(64,510)
Net operating cash flows	(255,996)	59,498
Cash Flows from Investing Activities		
Payment for property, plant & equipment	(6,411)	(53,460)
Payment for intangible assets - software	(101,580)	(132,432)
Payment for biological assets	(122,518)	(492,638)
Proceeds from disposal of subsidiary	2 985,638	-
Payment for capital development - investment property	(2,909)	(162,375)
Net investing cash flows	752,220	(840,905)
Cash Flows from Financing Activities		
Proceeds from related party loans	100,000	-
Proceeds from other borrowings	-	454,980
Net proceeds of other borrowings	55,821	(85,027)
Net financing cash flows	155,821	369,953
Net increase / (decrease) in cash held	652,045	(411,454)
Cash at the beginning of the period	115,104	818,055
Cash at the end of the financial period	767,149	406,601

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

	Issued Capital Ordinary	Financial Asset Revaluation Reserve	Non- Controlling Interests	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2013	4,058,525	26,769	2,187	5,438,563	9,526,044
Comprehensive income for the period					
Loss attributable to members of parent entity	-	-	-	(236,545)	(236,545)
Loss attributable to non-controlling interests	-	-	(1,220)	-	(1,220)
Other comprehensive loss	-	(9,065)	-	-	(9,065)
Total comprehensive income / (loss) for the period	-	(9,065)	(1,220)	(236,545)	(246,830)
Balance at 31 December 2013	4,058,525	17,704	967	5,202,018	9,279,214

	Issued Capital Ordinary	Financial Asset Revaluation Reserve	Non- Controlling Interests	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2014	4,058,525	16,760	10,356	4,496,450	8,582,091
Comprehensive income for the year					
Profit attributable to members of parent entity	-	-	-	928,613	928,613
Loss attributable to non-controlling interests	-	-	(1,265)	-	(1,265)
Other comprehensive income	-	710,443	-	-	710,443
Total comprehensive income / (loss) for the year	-	710,443	(1,265)	928,613	1,637,791
Balance at 31 December 2014	4,058,525	727,203	9,091	5,425,063	10,219,882

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Trustees Australia Limited and controlled entities (the group) is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of the group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the group for the year ended 30 June 2014, together with any public announcements made during the half-year.

These financial statements were authorised for issue on the date of signing the directors' report.

(b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except in relation to the matters discussed below. The critical estimates and judgments in these financial statements are consistent with those applied and disclosed in the June 2014 annual report.

(c) New and Revised Accounting Requirements Applicable to the Current Half-Year Reporting Period

For the half-year reporting period to 31 December 2014, the following revised accounting standard became mandatory for the first time. A discussion of relevant new and revised requirements and its impact on the group is provided below.

Interpretation 21: Levies is mandatorily applicable for annual financial reporting periods commencing 1 January 2014 and became applicable to the group for the first time in the current half-year reporting period 1 July 2014 to 31 December 2014. The Interpretation clarifies that a liability to pay a government levy should be recognised when the activity triggering the payment has occurred.

The group pays land utilisation taxes with respect to property holdings and has in prior periods recognised a liability for such taxes based on the passage of time. As a consequence of this change in accounting standard, there are no adjustments to the financial statements.

No other new or amended accounting standards are material to the financial statements.

NOTE 2: DISCONTINUED OPERATIONS AND RESULT FOR THE PERIOD

On 22 October 2014 the group disposed of the Australian Dairy Farms Trust (a wholly owned subsidiary) as part of the dairy aggregation project in the Australian Dairy Farms Group (ASX code: AHF).

As announced by the company the transaction involved a reduction of its direct interest in AHF, the transfer of its fully owned subsidiary Australian Dairy Farms Trust (ADFT) to AHF to form a stapled security entity, recovery of loans to ADFT, repayment of group borrowings and investment in convertible notes issued by AHF.

(a) The financial performance of the discontinued operation for the half-year to 31 December 2014, which is included in profit/(loss) from discontinued operations per the statement of profit or loss and other comprehensive income, is as follows:

	December 2014 \$	December 2013 \$
Investment property income	6,733	77,618
Livestock fair value adjustment	129,763	-
Finance costs	(73,716)	(111,980)
Property operating expenses	(206,615)	(15,290)
Loss before income tax	(143,835)	(49,652)
Profit on disposal of subsidiary	853,260	-
Income tax expense	-	-
Total profit / (loss) after tax attributable to discontinued operations	709,425	(49,652)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 2: DISCONTINUED OPERATIONS AND RESULT FOR THE PERIOD (cont'd)

(b) The net cash flows of the discontinued operation, which have been incorporated into the statement of cash flows, are as follows:

	December 2014	December 2013
	\$	\$
Net cash inflow / (outflow) from operating activities	(280,625)	(200,127)
Net cash inflow / (outflow) from investing activities	(128,157)	(664,913)
Net cash inflow / (outflow) from finance activities	100,000	250,000
Net cash inflow / (outflow) by discontinued operations	<u>(308,782)</u>	<u>(615,040)</u>

(c) Disposal of entity:

	December 2014
	\$
Disposal price	-
Assets and liabilities held at disposal:	
Cash and cash equivalents	2,731
Trade and other receivables	229,707
Other assets	19,116
Biological assets	961,213
Investment property	4,328,502
Trade and other payables	(203,034)
Borrowings	(6,191,495)
Net assets disposed	<u>(853,260)</u>
Gain on disposal of net tangible assets	<u>853,260</u>
Cash received for repayment of intercompany loans	988,369
Less cash in subsidiary at disposal	(2,731)
Net cash received on disposal	<u>985,638</u>

(d) Other significant items included in the result for the half-year are:

	December 2014	December 2013
	\$	\$
Other income	514,683	45,455
The current period amount comprises the fair value adjustment on convertible notes - see note 6 (iii).		
Other comprehensive income	710,443	(9,065)
The current period amount comprises the fair value adjustment on financial assets - see note 6 (i).		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 3: RELATED PARTIES

All arrangements with related parties continue to be in place. For details of these arrangements, refer to 30 June 2014 Annual Financial Report. Note though the Australian Dairy Farms Group (see notes 2 and 6) remains a related party as Mr Michael Hackett is a director of that group.

NOTE 4: 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.

There are no other significant changes to commitments and contingencies reported at 30 June 2014.

NOTE 5: TRADE AND OTHER RECEIVABLES

	December 2014 \$	June 2014 \$
Current		
Trade debtors	220,518	403,077
Other receivables	259,320	718,328
Total current receivables	479,838	1,121,405

NOTE 6: FINANCIAL ASSETS

	Notes	December 2014 \$	June 2014 \$
Non-current			
Available-for-sale financial assets	(a)	1,124,789	19,010
Financial assets at fair value through profit and loss	(b)	1,985,207	-
Total financial assets		3,109,996	19,010

(a) Available-for-sale financial assets comprise:

Listed investments, at fair value			
- shares in listed corporations	(i)	1,124,789	19,010

(b) Financial assets at fair value through profit and loss comprise:

Unlisted investments, at fair value			
- Convertible notes - loan component	(ii)	1,470,524	-
- Convertible notes - conversion option	(iii)	514,683	-
Total unlisted investments		1,985,207	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 6: FINANCIAL ASSETS (cont'd)

(i) On 22 October 2014, as part of the dairy aggregation project as disclosed in Note 2, the group was issued with 4,096,200 stapled securities in Australian Dairy Farms Group (ASX code: AHF). On 31 December 2014 these securities were last traded at 28.5 cents and the fair value of \$1,167,417 is included above with other minor listed investments.

The movement in the period comprises:

	December 2014	June 2014
	\$	\$
Opening balance	19,010	29,020
Reclassification from equity accounted associate	395,336	-
Fair value adjustments	710,442	(10,010)
	<u>1,124,789</u>	<u>19,010</u>

On 8 December 2014 the group was issued 2,048,100 unlisted options in AHF as part of its loyalty incentive. The loyalty options have an exercise price of 25 cents and are exercisable on or after the vesting date of 27 February 2014 and before 31 March 2016.

(ii) On 22 October 2014, as part of the dairy aggregation project as disclosed in Note 2, the group was issued with 145 unlisted convertible notes in Australian Dairy Farms Group (ASX code: AHF). The convertible notes have a face value of \$10,000 each and accrue interest at 2% above the CBA loan facility rate. At 31 December 2014 the fair value of the convertible notes plus accrued interest is \$1,470,524, being the amortised cost of the notes.

(iii) The notes may be converted into stapled securities at any time by the group and have a 2 year conversion date expiring 22 October 2016 and a conversion price of 20 cents per stapled security. Under accounting standards the group is required to fair value the conversion option of the convertible notes above in (ii). At a balance date last traded price of 28.5 cents and a conversion price of 20 cents the conversion option had a fair value of \$514,683. At the date of signing these financial statements the last traded price of AHF securities was 26.5 cents.

NOTE 7: INVESTMENTS IN ASSOCIATES

	December 2014	June 2014
	\$	\$
Non-current		
Investment in associates	<u>1,300,740</u>	<u>1,448,275</u>

Interests are held in the following associated entities:

Name	Principal Activities	Country of Incorp.	Type	Ownership Interest		Carrying amount of investment	
				Dec 2014	June 2014	Dec 2014	June 2014
				%	%	\$	\$
Unlisted:							
Whitsunday Village Retail Property Trust No 1.	Investment Property Management	Aust	Units	42.92	42.92	1,300,740	1,052,939
Listed							
Australian Dairy Farms Group	Dairy Farms Ownership and Operations	Aust	Stapled Securities	-	33.58	-	395,336
						1,300,740	1,448,275

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 7: INVESTMENTS IN ASSOCIATES (cont'd)

(i) Whitsunday Village Retail Property Trust No 1 (WVRPT)

The Group has a 42.92% (June 2014: 42.92%) interest in the WVRPT, which is an unlisted property trust that holds retail property located in Airlie Beach. This property adjoins the new Woolworths supermarket development and the primary pedestrian entrances to the new supermarket are from Shute Harbour Road through the shops owned by Whitsunday Village Retail Property Trust. These shops have already seen positive benefits from the Woolworths proximity through renewed lease terms, renegotiated rents for some existing tenancies and increased enquiry for availability. On 25 June 2014, the Trust was successful in selling a shop in the Centre, tenanted by a BWS liquor store on an attractive yield.

(ii) Australian Dairy Farms Group (AHF) - formerly APA Financial Services Limited (APA)

AHF is an ASX listed stapled entity that owns and operates dairy farms in SW Victoria. AHF was formed as part of the dairy aggregation project on 22 October 2014 with a 1 for 5 consolidation of existing APA shares on issue and a new issue of stapled securities comprised of one post-consolidation APA share and one unit in the Australian Dairy Farms Trust. See Note 2 for further details.

Following the stapling transaction and raising of new capital in AHF, Trustees Australia holds a 5.73% (June 2104: 33.58%) interest in the Australian Dairy Farms Group plus a convertible note which can be converted to additional stapled securities at an issue price of 20 cents per security or paid by cash within a 2 year period from 22 October 2014. As a result of the substantial drop in ownership, the group will now measure its interests in AHF as available-for-sale financial assets as disclosed in Note 6. As a result, the group has transferred its previous carrying amount of \$395,336, which is also cost, for its investment in AHF to available-for-sale financial assets.

The movement in investments in associates comprises:

	December 2014 \$	June 2014 \$
Opening balance	1,448,275	1,642,583
Share of associates profit	39,813	165,774
Distributions reinvested	217,258	-
Reclassification to financial assets	(395,336)	-
Share of distributions	(9,270)	(360,082)
Closing balance	1,300,740	1,448,275

NOTE 8: BORROWINGS

	Notes	December 2014 \$	June 2014 \$
Current			
Loans - unsecured		146,528	90,707
CBA loan facility	(b)	-	2,250,000
Loans - related party	(c)	-	1,366,621
Total current borrowings		146,528	3,707,327

(a) At 31 December 2014 the group has banking facilities with the Commonwealth Bank of Australia Limited secured by registered mortgages and floating charges over real estate and other assets of the group. Included in the Commonwealth Bank of Australia facilities are:

- a two year loan facility of \$500,000 which has a maturity date of 5 December 2016. This facility was unutilised at 31 December 2014 (June 2014: \$nil). The facility is subject to compliance with pre-determined covenants;
- a \$50,000 overdraft facility which was unutilised at 31 December 2014 (June 2014: \$nil);
- a \$55,000 bank guarantee facility which was unutilised at 31 December 2014 (June 2014: \$nil); and
- a \$25,000 bank guarantee facility that is fully drawn at 31 December 2014 (June 2014: \$25,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 8: BORROWINGS (cont'd)

Collateral provided:

	December 2014 \$	June 2014 \$
The carrying amounts of assets pledged as security are:		
First mortgage over freehold land and buildings at market value (including development property)	5,472,179	5,513,187
Floating charge over assets, including unlisted investments	7,067,473	9,045,163
Total assets pledged as security	12,539,652	14,558,350

- (b) The Dairy Farm Investments Trust had a secured one year limited-recourse loan facility of \$2,250,000 with the Commonwealth Bank of Australia which had a maturity date of 14 June 2014 and was extended to 14 December 2014. On 22 October 2014 the loan was renegotiated as part of the disposal of the Dairy Farm Investments Trust as disclosed in Note 2.
- (c) The Australian Dairy Farms Trust (ADFT) had a secured loan facility of \$1,366,621 with related entities of Michael Hackett, a director of the group. The facility had a maturity date of 31 December 2014 and security over the farm property held by ADFT and all units in ADFT and DFIT Interim Facility Trust. On 22 October 2014 the loan was fully repaid by cash and the issue of convertible notes as part of the disposal of the Dairy Farm Investments Trust as disclosed in Note 2 and Note 6.

NOTE 9: EVENTS AFTER THE BALANCE DATE

The directors are not aware of any significant events post 31 December 2014.

NOTE 10: FAIR VALUE MEASUREMENTS

The group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- financial assets;
- investment properties; and
- biological assets.

The group subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis.

The group does not subsequently measure any liabilities at fair value on a non-recurring basis.

(a) Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 10: FAIR VALUE MEASUREMENTS (cont'd)

The group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the group are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

31 December 2014

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets					
- Shares in listed companies	6	1,124,789	-	-	1,124,789
- convertible notes	6	-	1,985,207	-	1,985,207
Total financial assets recognised at fair value on a recurring basis		1,124,789	1,985,207	-	3,109,996
Non-recurring fair value measurements					
Land and buildings		-	4,146,001	-	4,146,001
Total non-financial assets recognised at fair value on a non-recurring basis		-	4,146,001	-	4,146,001

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the period.

30 June 2014

Financial assets

- Shares in listed companies	6	19,010	-	-	19,010
Total financial assets recognised at fair value on a recurring basis		19,010	-	-	19,010

Non-financial assets

Biological assets		-	702,200	-	702,200
Investment property		-	4,325,593	-	4,325,593
Total non-financial assets recognised at fair value on a recurring basis		-	5,027,793	-	5,027,793
Non-recurring fair value measurements					
Land and buildings		-	4,187,009	-	4,187,009
Total non-financial assets recognised at fair value on a non-recurring basis		-	4,187,009	-	4,187,009
Total non-financial assets recognised at fair value		-	9,214,802	-	9,214,802

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 10: FAIR VALUE MEASUREMENTS (cont'd)

(b) Techniques and Inputs Used to Measure Level 2 Fair Values

The following tables provide the fair values of the group's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

Description	Fair Value at 31 December 2014 \$	Valuation Technique(s)	Input Used
Non-financial assets			
Freehold land	1,870,052	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Land Area, market borrowing rate, trading data
Freehold buildings	2,275,949	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Building Area, market borrowing rate, trading data
Convertible notes	1,985,207	Market approach using recent observable data	Market interest rates, listed share price
Investment property	-	Market approach using recent observable market data for similar properties; income approach using discounted cash flow methodology	Building Area, market borrowing rate, trading data
Biological assets	-	Market approach using recent observable market data for dairy cattle	Breed, weight, condition
	6,131,208		

There were no changes during the period in the valuation techniques used by the group to determine Level 2 fair values.

(c) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values equate to carrying values:

- receivables;
- Associates;
- Payables; and
- Borrowings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 11: SEGMENT INFORMATION

(i) Segment Performance	Tourism & Hospitality Services	Property	Financial Services	Total
Six months ended 31 December 2014				
Revenue	\$	\$	\$	\$
External sales	1,081,475		654,888	1,736,363
Other income	-	-	514,683	514,683
Inter-segment sales	-	-	-	-
Interest revenue	90	-	25,272	25,362
Total segment revenue	1,081,565	-	1,194,843	2,276,408
Reconciliation of segment revenue to group revenue				
Revenue from discontinued operations				136,496
Total group revenue				2,412,904
Segment net profit / (loss) before tax	273,682	31,414	631,623	936,719
Reconciliation of segment result to group net profit / (loss) before tax				
(i) Amounts not included in segment result but reviewed by the board:				
Depreciation and amortisation	(70,571)	-	(16,838)	(87,409)
(ii) Unallocated items				
Corporate charges				(631,011)
Finance costs				(376)
Profit from discontinued operations				709,425
Net profit before tax				927,348
Six months ended 31 December 2013				
Revenue				
External sales	967,391	-	955,710	1,923,101
Inter-segment sales	-	-	-	-
Interest revenue	132	-	5,787	5,919
Total segment revenue	967,523	-	961,497	1,929,020
Reconciliation of segment revenue to group revenue				
Revenue from discontinued operations				77,618
Total group revenue				2,006,638
Segment net profit / (loss) before tax	278,407	(78,231)	323,383	523,559
Reconciliation of segment result to group net profit/(loss) before tax				
(i) Amounts not included in segment result but reviewed by the board:				
Depreciation and amortisation	(73,054)	-	(13,994)	(87,048)
(ii) Unallocated items				
Corporate charges				(621,784)
Finance costs				(2,840)
Loss on discontinued operations				(49,652)
Net loss before tax				(237,765)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 11: SEGMENT INFORMATION (cont'd)

	Tourism & Hospitality Services	Property	Financial Services	Total
(ii) Segment Assets				
As at 31 December 2014	\$	\$	\$	\$
Segment assets	4,590,609	2,626,918	5,322,125	12,539,652
Segment asset increases for the period:				
Capital expenditure	6,411	125,427	101,580	233,418
Included in segment assets are				
Equity accounted associates	-	1,300,740	-	1,300,740
Reconciliation of segment assets to group assets				
Segment assets				12,539,652
Unallocated assets				-
Total group assets				12,539,652
As at 30 June 2014	\$	\$	\$	\$
Segment assets	4,565,536	7,649,484	2,343,330	14,558,350
Segment asset increases for the period:				
Capital expenditure	54,336	891,011	224,993	1,170,340
Included in segment assets are				
Equity accounted associates	-	1,052,939	395,336	1,448,275
Reconciliation of segment assets to group assets				
Segment assets				14,558,350
Unallocated assets				-
Total group assets				14,558,350
(iii) Segment Liabilities				
As at 31 December 2014				
Segment liabilities	553,397	-	673,777	1,227,174
Reconciliation of segment liabilities to group liabilities				
Unallocated liabilities				
Other liabilities				1,092,597
Total group liabilities				2,319,770
As at 30 June 2014				
Segment liabilities	465,592	3,789,249	786,188	5,041,029
Reconciliation of segment liabilities to group liabilities				
Unallocated liabilities				
Other liabilities				935,230
Total group liabilities				5,976,259

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2014

NOTE 12: CASH FLOWS

Significant non-cash financing and investing activities in the period include:

- Reclassification of \$395,396 equity accounted investment to financial assets (note 6).
- Convertible notes of \$1,450,000 acquired as part settlement of inter-company receivables on disposal of subsidiary (note 6).



DIRECTORS' DECLARATION

For the half-year ended 31 December 2014

In accordance with a resolution of the directors of Trustees Australia Limited, the directors of the company declare that :

- (a) the financial statements and notes set out on pages 7 to 21 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134: Interim Financial Reporting; and
 - (ii) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.
- (b) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

A handwritten signature in black ink, appearing to read "Michael Leslie Hackett".

Michael Leslie Hackett
Chairman

Brisbane

27 February 2015



Hayes Knight
Accountants, Advisors & Auditors

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Auditor's Independence Declaration Under Section 307C of the *Corporations Act 2001*

To the Directors of Trustees Australia Limited

As lead auditor for the review of Trustees Australia Limited for the half year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Trustees Australia Limited and the entities it controlled during the period.

Hayes Knight Audit (Qld) Pty Ltd

N D Bamford
Director

Date: 27 February 2014

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Associated Offices : Sydney | Melbourne | Adelaide | Perth | Darwin | Auckland



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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TRUSTEES AUSTRALIA LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Trustees Australia Limited and controlled entities (the consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the half-year end or from time to time during the financial period.

Directors' Responsibility for the Half-Year Financial Report

The directors of Trustees Australia Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements *ASRE 2410: Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Trustees Australia Limited's financial position as at 31 December 2013 and its performance for the half-year ended on that date, and complying with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Trustees Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TRUSTEES AUSTRALIA LIMITED (CONTINUED)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Trustees Australia Limited as attached to the director's report, has not changed as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Trustees Australia Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Hayes Knight Audit (Qld) Pty Ltd



N D Bamford
Director

Level 19, 127 Creek Street,
Brisbane, QLD, 4000

Date: 27 February 2014

CORPORATE DIRECTORY

Board of Directors

Michael Hackett (B.Com, FCA)
Managing Director / Acting Chairman

Kerry Daly (B.Bus, CPA)
Director

Nathan Leman
Director

Company Secretary

Jerome Jones (B.Com, CPA)
Company Secretary

Registered Office

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Stock Exchange

Trustees Australia is listed on the official List of the Australian Securities Exchange Limited (ASX)

The ASX Code is "TAU".