

INTERIM FINANCIAL REPORT

For the Half-Year ended 31 December 2016

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RESULTS FOR ANNOUNCEMENT TO THE MARKET
 For the half-year ended 31 December 2016

	%	\$000 31 December 2016	\$000 31 December 2015
Revenues from ordinary activities	-29%	478	678
Loss from ordinary activities after tax attributable to members	166%	(378)	(142)
Net profit / (loss) for the period attributable to members	-134%	(668)	1,977
		cents	cents
Net tangible asset backing per security		22.7	32.2

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 and no dividends have been declared or provided for during the half-year.

Loss or gain of control over other entities

On 31 October 2016 the group announced to ASX that, subject to shareholder approval, Trustees Australia would undertake an equal capital reduction comprising all of the issued capital of Queensland Resorts Limited to be distributed on a pro rata in-specie basis to eligible shareholders in Trustees Australia. These transactions, (the QR Demerger), include the group's tourism, property and investment assets.

Associates

Whitsunday Village Retail Property Trust No 1	%	%
	holding	holding
	42.92	42.92
	\$	\$
	000	000
Aggregate share of net profit from the associate listed above	5	166

Audit Status

This report has been subject to auditor 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 2016.

PRINCIPAL ACTIVITIES AND SIGNIFICANT 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 (Rim Securities); and
- investment in Australian Dairy Farms Group (ADFG) stapled securities. ADFG is listed on ASX (Code AHF) and owns dairy farms and dairy livestock in Victoria's South West district, and a dairy processing plant at Camperdown. Trustees Australia Limited is the Responsible Entity of Australian Dairy Farms Trust and holds 15,194,507 fully paid stapled securities in AHF.

Tourism and Hospitality Activities comprising:

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

Property Activities comprising:

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

There has been no significant change in the scale or nature of the group's activities during the half-year, other than the continuing sales and settlement of assets in WVRPT No.1 and the conversion of AHF convertible notes to ordinary securities. The proposed QR demerger of the group's tourism, property and investment assets will result in substantial changes to the principal activities on completion, expected by June 2017. The financial accounts contained in this half-year release are required to provide information relating to the proposed QR demerger, with assets and liabilities of the proposed demerged entity classified as held for distribution and operating results shown as discontinued operations.

BUSINESS MODEL AND OBJECTIVES

On 31 October 2016 the directors announced to ASX that it would convene an EGM to consider the QR demerger of its tourism, property and investment assets. The proposed demerger is being recommended to shareholders so that the Financial Services activities and the Tourism, Property and Investment activities may each be developed and expanded in their own right as separate entities with separate strategies and management.

A Notice of Meeting was sent to shareholders on 22 November 2016, however, the meeting scheduled for 22 December 2016 was ultimately adjourned due to a technical error in the Notice of Meeting.

On 16 December 2016 the directors announced to ASX that Trustees Australia had entered into a Heads of Agreement to acquire 100% of the capital of Cashwerkz Pty Ltd (Cashwerkz) by an issue of new securities in Trustees Australia. The combination of the automated term deposit transaction capacity of Cashwerkz and the depth of market experience of Trustees Australia will establish a significant new online transaction engine with fixed interest product development capability. The transaction will be a merger of complementary assets and skills in the fixed interest and financial services market with sophisticated financial on-line technology (referred to in financial markets as "fin-tech").

At the date of this report, the directors are finalising an amended Notice of Meeting for an EGM to be held in March 2017 to consider the QR demerger, the Cashwerkz acquisition and other related matters.

OPERATING RESULTS

The consolidated net loss for the half year to 31 December 2016 attributed to members of Trustees Australia, after providing for income tax and eliminating outside equity interests, was \$667,958 (2015: \$1,976,589 profit).

The result was achieved on Financial Services revenue of \$478,461 (2015: \$677,688) and total expenses of \$856,037 (2015: \$819,374) and loss from discontinued operations of \$290,382 (2015: \$2,114,336 profit).

The movement in discontinued operations is largely attributable to the following:

- fair value movements on ADFG loyalty options and convertible notes through profit and loss of \$1,433,786 in the 2015 comparative. Convertible notes and loyalty options were converted to fully paid, ASX listed ADFG stapled securities in November 2016 and from that date were no longer valued through the profit and loss.
- Other comprehensive loss from discontinued operations of \$88,368 (2015: \$620,496 profit) is primarily the result of unrealised revaluation decreases on ADFG stapled securities at a closing price of 17.5 cents per stapled security held on 31 December 2016 compared to 35.5 cents on December 2015.

FINANCIAL RESULTS

The net assets of the group decreased by \$667,958 to \$8,376,770 at 31 December 2016, compared with \$9,044,728 at 30 June 2016. This was predominantly as a result of increased borrowings to fund operations.

The group has borrowings of \$769,507 (June 2016: \$47,368).

Net tangible asset backing per issued share was 22.7 cents at 31 December 2016 compared with 24.6 cents at 30 June 2016.

It is noted that the Net tangible asset backing per issued share is not reflected in the ASX market price which has seen very low volume trading in a range of between 13 cents and 17 cents in the six month to 31 December 2016. It has risen to 19 cents as of the date of this report.

REVIEW OF OPERATIONS

TOURISM AND HOSPITALITY SERVICES SEGMENT

- MAGNUMS BACKPACKER OPERATIONS

Trading at Magnums Airlie Beach has continued to benefit from the increase in inbound tourism nationally including a substantial increase in visitors from China. The lower and more reliable A\$ exchange rate has been of significant assistance to increased visitor numbers along with Australia's continued attraction as a safe and friendly tourist destination.

Management and the directors are hopeful that the improving trend will continue. Reviews and feedback from guests at Magnums on social media are very positive and implemented upgrades on online booking systems and new sailing and diving products have been introduced and packaged.

Magnums Backpackers again won the Backpacker segment of the Whitsunday Tourism Awards in September 2016 which is the fifth consecutive win for the property. Normally the winners of each regional segment also contest the Queensland and then Australian tourism awards. Magnums Backpackers is restricted from entering the Queensland awards because Elizabeth Hackett, who is primarily responsible for the management and performance of Magnums has a conflict of interest in acting as a judge for the Queensland Tourism Awards. These achievements reflect directly the efforts and enthusiasm of operational staff and management who have continually presented the property and marketed the tourism products well and who ensure best practice management, safety and workplace conditions are always in place and observed.

FINANCIAL SERVICES SEGMENT

- Custody, Responsible Entity and Trustee Services

The growth of existing funds for which Trustees Australia acts as Responsible Entity has continued in the financial period under review. As advised, the board expects to implement restructuring and recapitalisation to facilitate expansion of funds management activities in these segments.

- Fixed Interest Specialists (RIM SECURITIES)

Rim Securities provides fixed income brokerage services to a range of wholesale and retail customers. During the period under review, the company has expanded its personnel numbers with experienced people who have the capacity to significantly grow the business. Additional resources have been allocated to completion of systems to support dealing staff. The Rim Securities business operation is closely connected with the proposed acquisition of Cashwerkz, which provides an online automated platform for managing term deposits between ADIs.

- AUSTRALIAN DAIRY FARMS GROUP

Since listing on ASX in October 2014 as Australia's first listed dairy farmer with a market capitalisation of approximately \$11 million, Australian Dairy Farms Group (ADFG) has grown into a vertically integrated dairy farmer, milk processor and product manufacturer in Australian markets with a market capitalisation of \$34.6 million at 31 December 2016. Trustees Australia is the responsible entity of the Trust entity of ADFG and Trustees Australia Limited Chairman, Michael Hackett is also Chairman of ADFG.

In November 2016, Trustees Australia exercised its option to convert 145 convertible notes to fully paid stapled securities in ADFG (ASX: AHF) and currently holds 15,194,507 stapled securities. Trustees Australia is the largest single shareholder in ADFG, holding 7.69% at 31 December 2016.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (cont'd)

PROPERTY SEGMENT

- WHITSUNDAY VILLAGE RETAIL PROPERTY TRUST

At the date of this report, The Whitsunday Village Retail Property Trust holds one tenancy comprising two separate strata units which are under an unconditional contract for sale due to complete on 25 February 2017. The intention of the Responsible Entity is to seek approval of the unitholders of the Trust to finalise the Trust by winding it up or from sale of units if there is interest.

- DEVELOPMENT PROPERTY

The group retains development land at Airlie Beach adjoining the Magnums Backpackers property, which is currently used for vehicle parking and access. The land parcel has a strategic value in terms of the future development of various adjoining land parcels. The directors are in continuing discussions with the local authority and adjoining property owners with respect to complementary development of this land in conjunction with development on adjoining parcels.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The group's immediate focus is on business strategy, simplifying structure and operations as referred to above. The directors anticipate that by 30 June 2017 the QR demerger and acquisition of Cashwerkz will have completed and the two separate exchange listed company groups will be in expansion mode. 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 which subsequently impact the Trustees Australia investment and the Australian currency and economic conditions in countries of origin of international backpackers in the tourism segment.

INFORMATION ON DIRECTORS

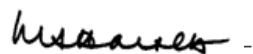
The following persons held office as directors of the group during or since the end of the half-year. The names and details of the directors are:

Name	Position	Appointed
Michael Hackett	Managing Director / 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 2016.

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



Michael Leslie Hackett

Managing Director / Chairman

Brisbane

28 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Continuing Operations			
Financial Services Revenue		478,461	677,688
Business operating expenses		(99,412)	(94,889)
Employment expenses		(483,530)	(464,471)
Finance costs		(13,955)	(8,416)
Property operating expenses		(110,144)	(78,299)
Other expenses		(148,996)	(173,299)
Loss before income tax		(377,576)	(141,686)
Income tax expense	2(e)	-	-
Loss for the period from continuing operations		(377,576)	(141,686)
Discontinued operations			
Profit / (loss) from discontinued operations after tax	2(a)	(290,382)	2,114,336
Net profit / (loss) for the period		(667,958)	1,972,650
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
		-	-
Items that will not be reclassified to profit or loss			
		-	-
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income / (loss) for the period, net of tax		(667,958)	1,972,650
Profit / (loss) attributable to:			
Members of the parent entity		(667,958)	1,976,589
Non-controlling interest		-	(3,939)
		(667,958)	1,972,650
Total comprehensive income / (loss) attributable to:			
Members of the parent entity		(667,958)	1,976,589
Non-controlling interest		-	(3,939)
		(667,958)	1,972,650
Earnings per share:			
From continuing and discontinued operations			
Basic earnings per share (cents)		(2.0)	6.0
Diluted earnings per share (cents)		(2.0)	6.0
From continuing operations			
Basic earnings per share (cents)		(1.1)	(0.4)
Diluted earnings per share (cents)		(1.1)	(0.4)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	31 December 2016 \$	30 June 2016 \$
Current Assets			
Cash and cash equivalents		762,948	496,969
Trade and other receivables		446,418	626,102
Assets held for distribution	2(d)	9,251,020	-
Inventories	3	-	5,279
Other financial assets	4	-	1,623,468
Other current assets		135,696	250,915
Total Current Assets		10,596,082	3,002,733
Non-Current Assets			
Inventories	3	-	860,000
Other financial assets	4	-	1,106,876
Intangibles		857,960	896,507
Investments in associates	5	-	558,912
Property, plant & equipment	6	3,472	4,887,448
Total Non-Current Assets		861,432	8,309,743
Total Assets		11,457,514	11,312,476
Current Liabilities			
Trade and other payables		362,901	974,529
Borrowings	7	769,507	47,368
Provisions		41,747	98,853
Liabilities associated with assets held for distribution	2(d)	979,776	-
Total Current Liabilities		2,153,931	1,120,750
Non-Current Liabilities			
Trade and other payables		512,347	539,722
Provisions		414,466	607,276
Total Non-Current Liabilities		926,813	1,146,998
Total Liabilities		3,080,744	2,267,748
Net Assets		8,376,770	9,044,728
Equity			
Issued capital		4,058,525	4,058,525
Reserves		108,897	197,265
Retained earnings		4,209,348	4,788,938
Total Equity		8,376,770	9,044,728

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Notes	31 December 2016 \$	31 December 2015 \$
Cash Flows from Operating Activities			
Receipts from customers		1,991,360	2,372,709
Payments to suppliers and employees		(2,303,957)	(2,214,873)
Trust distributions		18,539	18,536
Interest received		1,502	3,440
Finance costs		(11,373)	(12,590)
Net operating cash flows		(303,929)	167,222
Cash Flows from Investing Activities			
Payment for property, plant & equipment	6	(37,622)	(17,935)
Payment for intangible assets - software		(48,873)	(96,880)
Net investing cash flows		(86,495)	(114,815)
Cash Flows from Financing Activities			
Loans from related party	7(b)	660,000	-
Net proceeds of other borrowings		57,162	120,294
Net financing cash flows		717,162	120,294
Net increase / (decrease) in cash held		326,738	172,701
Cash at the beginning of the period		496,969	507,786
Cash at the end of the financial period		823,707	680,487

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Issued Capital Ordinary	Financial Asset Revaluation Reserve	Non- Controlling Interests	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2016	4,058,525	197,265	-	4,788,938	9,044,728
Comprehensive income for the period					
Loss attributable to members of parent entity	-	-	-	(579,590)	(579,590)
Other comprehensive loss from discontinued operations	-	(88,368)	-	-	(88,368)
Total comprehensive loss for the period	-	(88,368)	-	(579,590)	(667,958)
Balance at 31 December 2016	4,058,525	108,897	-	4,209,348	8,376,770

	Issued Capital Ordinary	Financial Asset Revaluation Reserve	Non- Controlling Interests	Retained Earnings	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2015	4,058,525	445,323	4,411	5,067,017	9,575,276
Comprehensive income for the year					
Profit attributable to members of parent entity	-	-	-	1,356,093	1,356,093
Loss attributable to non-controlling interests	-	-	(3,939)	-	(3,939)
Other comprehensive income from discontinued operations	-	620,496	-	-	620,496
Total comprehensive income / (loss) for the year	-	620,496	(3,939)	1,356,093	1,972,650
Balance at 31 December 2015	4,058,525	1,065,819	472	6,423,110	11,547,926

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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 2016 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 2016, 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 2016 annual report.

The group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

(c) Assets Non-current Assets held for distribution and discontinued operations

Non-current assets and disposal groups are classified as held for distribution and measured at the lower of carrying amount and fair value less costs to sell, where the carrying amount will be recovered principally through distribution as opposed to continued use. No depreciation or amortisation is charged against assets classified as held for distribution.

Classification as "held for distribution" occurs when: management has committed to a plan for immediate distribution; the distribution is expected to occur within one year from the date of classification; and active marketing of the asset has commenced. Such assets are classified as current assets.

A discontinued operation is a component of an entity, being a cash-generating unit (or a group of cash generating units), that either has been disposed of, or is classified as held for distribution, and: represents a separate major line of business or geographical area of operations; is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Impairment losses are recognised for any initial or subsequent write-down of an asset (or disposal group) classified as held for distribution to fair value less costs to sell. Any reversal of impairment recognised on classification as held for distribution or prior to such classification is recognised as a gain in profit or loss in the period in which it occurs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 2: DISCONTINUED OPERATIONS AND RESULT FOR THE PERIOD

On 31 October 2016 the directors announced to ASX that it would convene an EGM to consider the QR demerger, which is being recommended to shareholders so that the Financial Services activities and the Tourism, Property and Investment activities may each be developed and expanded in their own right as separate entities with separate strategies and management.

A Notice of Meeting was sent to shareholders on 22 November 2016, however, the meeting scheduled for 22 December 2016 was ultimately adjourned due to a technical error in the Notice of Meeting. At the date of this report, the directors are finalising an amended Notice of Meeting for an EGM to be held in March 2017 to consider the demerger, the Cashwerkz acquisition and other related matters.

In accordance with AASB 5: *Non-current Assets Held for Sale and Discontinued Operations*, the group has recategorised the Assets and Liabilities of its tourism, property and investments to be included in the proposed QR demerger as held for distribution and the operations as discontinued. Comparative figures also reflect this treatment.

Following is a detailed breakdown of the profit and loss, cash flows and assets and liabilities of the proposed QR demerger.

(a) Profit / (Loss) for the half-year from discontinued operations is as follows:

	31 December 2016	31 December 2015
	\$	\$
Revenue	1,277,808	1,258,231
Other income	-	1,433,786
Business operating expenses	(371,126)	(328,569)
Employment expenses	(671,925)	(593,356)
Finance costs	(2,394)	(4,174)
Property operating expenses	(338,547)	(344,598)
Other expenses	(101,200)	(93,672)
Share of net profit from associate	5,370	166,192
Profit / (loss) before income tax	(202,014)	1,493,840
Income tax expense	-	-
Profit / (loss) for the period from discontinuing operations	(202,014)	1,493,840
Other comprehensive income		
Items that may be classified subsequently to profit or loss:		
Net gain / (loss) on revaluation of financial assets	(88,368)	620,496
Items that will not be reclassified to profit or loss		
	-	-
Other comprehensive income / (loss) for the period, net of tax	(88,368)	620,496
Total comprehensive income / (loss) for the period, net of tax	(290,382)	2,114,336

(b) Income from continuing operations and discontinued operations

	31 December 2016	31 December 2015
	\$	\$
- Attributable to members of the parent entity	1,744,456	3,355,324
- Attributable to non-controlling interests	11,813	14,381
	<u>1,756,269</u>	<u>3,369,705</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

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

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

	31 December 2016	31 December 2015
	\$	\$
Net cash inflow / (outflow) from operating activities	(207,882)	(68,367)
Net cash inflow / (outflow) from investing activities	(30,248)	(14,441)
Net cash inflow / (outflow) from finance activities	227,023	171,735
Net cash inflow / (outflow) by discontinued operations	<u>(11,107)</u>	<u>88,927</u>

(d) Carrying amount of assets and liabilities held for distribution, are as follows:

	Notes	31 December 2016	30 June 2016
		\$	\$
Current Assets			
Cash and cash equivalents		60,759	-
Trade and other receivables		57,661	-
Inventories	3	4,586	-
Other current assets		195,935	-
Total Current Assets		<u>318,941</u>	<u>-</u>
Non-Current Assets			
Inventories	3	860,000	-
Financial assets	4(b)(ii)	2,677,992	-
Investments in associates	5	545,743	-
Property, plant & equipment	6	4,848,344	-
Total Non-Current Assets		<u>8,932,079</u>	<u>-</u>
Total Assets		<u>9,251,020</u>	<u>-</u>
Current Liabilities			
Trade and other payables		703,145	-
Provisions		95,040	-
Total Current Liabilities		<u>798,185</u>	<u>-</u>
Non-Current Liabilities			
Provisions		181,591	-
Total Non-Current Liabilities		<u>181,591</u>	<u>-</u>
Total Liabilities		<u>979,776</u>	<u>-</u>
Net Assets		<u>8,271,244</u>	<u>-</u>

The above classifications reflect the "historical treatment" in the financial statements.

(e) Income Tax

There is no income tax applicable to the result for the period due to the availability of carry forward tax losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 3: INVENTORIES

		31 December 2016	30 June 2016
	Note	\$	\$
Current			
Stock in trade at cost		-	5,279
		<u>-</u>	<u>5,279</u>
Non-Current			
Development property at lower of cost and NRV	(a)	-	860,000
		<u>-</u>	<u>860,000</u>

(a) The group holds development property adjacent to its backpacker hostel property at Airlie Beach. The directors commissioned a valuation from Opteon Property Group for the year ended 30 June 2016, to assess independently the value of the land and of the other property assets at Airlie Beach. The valuer adopted a direct market comparison whereby the property is compared with sales of the most recent comparable properties and adjustments made for points of difference. Based on this approach the land was valued at \$860,000 or \$150/sqm. The directors adopted the \$860,000 at 30 June 2016 resulting in an impairment of \$466,178. The directors have adopted the same valuation at 31 December 2016.

Movements during the half-year:

Opening Balance as at 1 July		865,279	1,329,505
Stock in trade movement		(693)	1,952
Transfer to assets held for distribution - current	2(d)	(4,586)	-
Impairment expense		-	(466,178)
Transfer to assets held for distribution - non-current	2(d)	(860,000)	-
Inventories as at 31 December		<u>-</u>	<u>865,279</u>

In accordance with AASB5, the stock in trade and development property have been classified as an Asset Held for Distribution as part of the QR demerger and group restructure.

NOTE 4: OTHER FINANCIAL ASSETS

		31 December 2016	30 June 2016
	Notes	\$	\$
Current			
Financial assets at fair value through profit and loss	(a)	-	1,623,468
Non-current			
Available-for-sale financial assets	(b)	-	1,106,876
Total other financial assets		<u>-</u>	<u>2,730,344</u>

(a) Financial assets at fair value through profit or loss comprise:

Unlisted investments, at fair value			
- Convertible notes - loan component	(i)	-	1,623,468

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

Listed investments, at fair value			
- Securities in listed entities	(ii)	-	1,106,876

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 4: OTHER FINANCIAL ASSETS (cont'd)

(i) On 22 October 2014, as part of the dairy aggregation project, the group was issued with 145 unlisted convertible notes in Australian Dairy Farms Group (ADFG). The convertible notes had a face value of \$10,000 each and accrued interest at 2% above the CBA loan facility rate paid by ADFG. On 22 October 2016 the group converted the notes to fully stapled securities in ADFG. The value of the convertible notes plus accrued interest at the date of conversion was \$1,659,484 and 9,050,207 stapled securities were issued.

(ii) Below is a summary of the movement in the period of available-for-sale financial assets:

		31 December	30 June
		2016	2016
	Note	\$	\$
Opening balance		1,106,876	842,909
Convertible note conversion		1,659,484	-
Loyalty option conversion		-	512,025
Fair value adjustments		(88,368)	(248,058)
Transfer to assets held for distribution	2(d)	<u>(2,677,992)</u>	<u>-</u>
		<u>-</u>	<u>1,106,876</u>

At 31 December 2016, the group held the following ASX listed securities;

- 15,194,507 fully paid stapled securities in Australian Dairy Farms Group (ADFG). The securities have been valued at the 31 December 2016 ASX closing price of 17.5 cents (30 June 2016: 17.5 cents). Since that date the securities have traded between 18 cents and 15 cents.
- 750,000 shares in Authorised Investment Fund Limited (ASX Code: AIY). The securities were valued at 2.5 cents as of 31 December 2016 (30 June 2016: 4 cents). Since that date the securities have traded between 3 cents and 2.4 cents.
- 2,030 shares in Fastbrick Robotics Ltd (ASX Code: FBR). The securities were valued at 10 cents as of 31 December 2016 (30 June 2016: 2.5 cents). Since that date the securities have traded between 10 cents and 8.4 cents.

In accordance with AASB5, the available-for-sale financial assets have been classified as an Asset Held for Distribution as part of the QR demerger and group restructure.

NOTE 5: INVESTMENT IN ASSOCIATES

	31 December	30 June
	2016	2016
	\$	\$
Non - current		
Investment in associates	<u>-</u>	<u>558,912</u>

Interests are held in the following associated entity:

Name	Principal Activities	Country of Incorp.	Type	Ownership Interest		Carrying amount of investment	
				Dec 2016	Jun 2016	Dec 2016	June 2016
				%	%	\$	\$
Unlisted:							
Whitsunday Village Retail Property Trust No 1.	Investment Property Management	Aust	Units	42.92	42.92	-	558,912
						<u>-</u>	<u>558,912</u>

Whitsunday Village Retail Property Trust No 1 (WVRPT)

The group has a 42.92% (June 2016: 42.92%) interest in the WVRPT, which is an unlisted property trust that holds retail property located in Airlie Beach. At the date of this report, The Whitsunday Village Retail Property Trust holds one tenancy comprising two separate strata units which is under an unconditional contract for sale due to complete on 25 February 2017. The intention of the Responsible Entity is to seek approval of the unitholders of the Trust to finalise the Trust by winding it up or from sale of units if there is interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 5: INVESTMENT IN ASSOCIATES (cont'd)

	Note	31 December 2016 \$	30 June 2016 \$
Reconciliation Carrying Amounts			
Group's share of associates' opening net assets		558,912	1,574,009
Group's share of associates' profit after tax		5,370	169,962
Group's share of distributions received and receivable		(18,539)	(1,185,059)
Transfer to assets held for distribution	2(d)	(545,743)	-
Group's share of associates' closing net assets (closing carrying amount of investment)		-	558,912

In accordance with AASB5, the investment in WVRPT has been classified as an Asset Held for Distribution as part of the QR demerger and group restructure.

NOTE 6: MOVEMENTS IN PROPERTY PLANT AND EQUIPMENT

Movements in the Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the half-year:

	Note	Land ¹ \$	Buildings ¹ \$	Plant & equipment \$	Leasehold improvements \$	Total \$
31 December 2016						
Balance at beginning of the half-year		1,914,000	2,759,000	209,801	4,647	4,887,448
Additions		-	6,706	30,916	-	37,622
Depreciation		-	(41,062)	(27,545)	(4,647)	(73,254)
Transfer to assets held for distribution	2(d)	(1,914,000)	(2,724,644)	(209,700)	-	(4,848,344)
Balance at end of the half-year		-	-	3,472	-	3,472

¹ The directors commissioned a valuation from Opteon Property Group for the year ended 30 June 2016 to independently assess the Market Value for financial reporting purposes, of the freehold interest of the property assets at Airlie Beach assuming vacant possession. The valuers made an assessment taking into account the long term trading history of the property and its current condition, at \$4,673,000. The directors adopted the \$4,673,000 at 30 June 2016 resulting in a revaluation gain on land and buildings of \$648,908. The directors have adopted the same valuation methodology at 31 December 2016.

In accordance with AASB5, \$4,848,344 has been classified as an Asset Held for Distribution as part of the QR demerger and group restructure.

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the comparative financial year:

	Land \$	Buildings \$	Plant & equipment \$	Leasehold improvements \$	Total \$
30 June 2016					
Balance beginning of the financial year	1,870,052	2,235,610	223,466	10,195	4,339,323
Additions	-	-	41,577	-	41,577
Gain on revaluation	43,948	604,960	-	-	648,908
Depreciation expense	-	(81,570)	(55,242)	(5,548)	(142,360)
Balance at end of financial year	1,914,000	2,759,000	209,801	4,647	4,887,448

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 7: BORROWINGS

		31 December 2016	30 June 2016
	Notes	\$	\$
Current			
Loans - unsecured		104,531	47,368
Loans - related parties	(b)	664,976	-
Total current borrowings		769,507	47,368

(a) At 31 December 2016 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 had an original maturity date of 5 December 2016 has been extended for one year in order to remain in place until the proposed Queensland Resorts demerger and group restructure. This facility was unutilised at 31 December 2016 (June 2016: \$nil). The facility is subject to compliance with pre-determined covenants;
- a \$50,000 overdraft facility which was unutilised at 31 December 2016 (June 2016: \$nil);
- a \$27,555 bank guarantee facility that is fully drawn at 31 December 2016 (June 2016: \$nil);
- a \$25,000 bank guarantee facility that is fully drawn at 31 December 2016 (June 2016: \$25,000); and
- a \$20,000 bank guarantee facility which was unutilised at 31 December 2016 (June 2016: \$nil).

Collateral Provided:

	31 December 2016	30 June 2016
	\$	\$
The carrying amounts of assets pledged as security are:		
First mortgage over freehold land and buildings at market value (including development property)	5,498,644	5,533,000
Floating charge over assets, including unlisted investments	5,958,870	5,779,476
Total assets pledged as security	11,457,514	11,312,476

(b) At 31 December 2016, the group has a short-term unsecured loan facility of \$664,976 with related entities of Michael Hackett, a director of the group. The facility is charged interest at 2% above the CBA loan facility rate and is expected to be repaid as part of the QR demerger and group restructure. Interest of \$4,976 has been capitalised as at balance date.

NOTE 8: RELATED PARTIES

Other than for the loans as disclosed in Note 7(b), all arrangements with related parties continue to be in place. For details of these arrangements, refer to 30 June 2016 Annual Financial Report.

NOTE 9: CONTINGENT LIABILITIES

In the ordinary course of business Trustees Australia provides guarantees in respect of borrowing facilities provided to the group and has given a guarantee of financial support for the base level financial requirements of Rim Securities Limited. At 31 December 2016 the financial support totalled \$1,047,313. No liability is expected to arise in respect of this guarantee.

There are no other significant changes to commitments and contingencies reported at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 10: EVENTS AFTER THE BALANCE DATE

The directors are not aware of any significant events post 31 December 2016.

NOTE 11: SEGMENT REPORTING

(i) Segment Performance

In accordance with AASB 5, the proposed QR Demerger means the group must report its Segment Performance in one segment for the half-year, being the financial services industry in Australia.

	Financial Services
31 December 2016	
Revenue	\$
External sales	477,167
Inter-segment sales	-
Interest revenue	1,294
Total segment revenue	478,461
Segment net loss before tax	(377,576)

	Financial Services
31 December 2015	
Revenue	\$
External sales	674,291
Inter-segment sales	-
Interest revenue	3,397
Total segment revenue	677,688
Segment net loss before tax	(141,686)

(ii) Segment Assets and Liabilities

As discussed in Note 2: Discontinued Operations and Results for the Period, the group has presented its tourism and hospitality and property segments as assets and liabilities held for distribution in the Consolidated Statement of Financial Position. Upon the completion of the proposed QR Demerger, the group will operate in one reportable segment, being the financial services industry in Australia, however AASB 5 requires assets and liabilities to be reported by segment in the half-year.

	Tourism & Hospitality Services	Property	Financial Services	Total
Segment Assets				
As at 31 December 2016	\$	\$	\$	\$
Segment assets	7,842,187	1,408,833	2,206,494	11,457,514
Segment asset increases for the period:				
Capital expenditure	36,954	-	49,541	86,495
Included in segment assets are				
Equity accounted associates	-	545,743	-	545,743
Reconciliation of segment assets to group assets				
Unallocated assets				-
Total group assets				11,457,514

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 11: SEGMENT REPORTING (cont'd)

	Tourism & Hospitality Services	Property	Financial Services	Total
Segment Assets				
As at 30 June 2016	\$	\$	\$	\$
Segment assets	5,045,045	1,422,002	4,845,429	11,312,476
Segment asset increases for the period:				
Capital expenditure	41,577	-	177,960	219,537
Acquisitions	-	-	512,025	512,025
	<u>41,577</u>	<u>-</u>	<u>689,985</u>	<u>731,562</u>
Included in segment assets are				
Equity accounted associates	-	558,912	-	558,912
Reconciliation of segment assets to group assets				
Unallocated assets				-
Total group assets				<u><u>11,312,476</u></u>
Segment Liabilities				
As at 31 December 2016				
Segment liabilities	979,776	-	2,100,968	3,080,744
Reconciliation of segment liabilities to group liabilities				
Unallocated liabilities				
Other liabilities				-
Total group liabilities				<u><u>3,080,744</u></u>
Segment Liabilities				
As at 30 June 2016				
Segment liabilities	324,945	-	1,160,203	1,485,148
Reconciliation of segment liabilities to group liabilities				
Unallocated liabilities				
Other liabilities				782,600
Total group liabilities				<u><u>2,267,748</u></u>

In the 30 June 2016 comparative, liabilities were allocated to segments where there was a direct nexus between the incurrence of the liability and the operations of the segment and the remaining other liabilities were considered group liabilities and reported as unallocated. As part of the QR demerger and group restructure, for the half-year ended 31 December 2016 the group has allocated other liabilities that will form part of the QR demerger to the tourism and hospitality segment and the remainder to the financial services segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 12: FAIR VALUE MEASUREMENT

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

31 December 2016

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets recognised at fair value on a recurring basis		-	-	-	-
Non-recurring fair value measurements					
Financial assets					
Available-for-sale financial assets					
- Shares in listed companies	2	2,677,992	-	-	2,677,992
Land and buildings (i)	6	-	4,638,644	-	4,638,644
Total non-financial assets recognised at fair value on a non-recurring basis		2,677,992	4,638,644	-	7,316,636

(i) Freehold land and building is the Magnums site, being a backpacker operations in Airlie Beach. The board considers that the land's current use is its highest and best use.

In accordance with AASB5, Available-for-sale financial assets have been reclassified as non-recurring in the half-year.

30 June 2016

	Note	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Assets recognised at fair value on a recurring basis					
Financial assets					
Available-for-sale financial assets					
- Shares in listed companies	4	1,106,876	-	-	1,106,876
Financial assets at fair value through profit and loss					
- Convertible notes - loan component	4	-	1,623,468	-	1,623,468
Total financial assets recognised at fair value on a recurring basis		1,106,876	1,623,468	-	2,730,344
Non-recurring fair value measurements					
Land and buildings (i)	6	-	4,673,000	-	4,673,000
Total non-financial assets recognised at fair value on a non-recurring basis		-	4,673,000	-	4,673,000

(i) Freehold land and building is the Magnums site, being a backpacker operations in Airlie Beach. The board considers that the land's current use is its highest and best use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 13: EARNINGS PER SHARE

	December 2016 cents	December 2015 cents
From continuing and discontinued operations		
Basic profit / (loss) per share	(2.0)	6.0
Diluted profit / (loss) per share	(2.0)	6.0
From continuing operations		
Basic profit / (loss) per share	(1.1)	(0.4)
Diluted profit / (loss) per share	(1.1)	(0.4)
From discontinued operations		
Basic profit / (loss) per share	(0.9)	6.4
Diluted profit / (loss) per share	(0.9)	6.4
Reconciliation of earnings to profit or loss		
Profit / (loss) attributable to members of the parent entity	(667,958)	1,976,589
Loss attributable to non-controlling interest	-	(3,939)
Earnings used to calculate basic EPS	(667,958)	1,972,650
Earnings used to calculate basic EPS from continuing operations	(337,576)	(141,686)
Earnings used to calculate basic EPS from discontinued operations	(290,382)	2,114,336
	Number of Shares	Number of Shares
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	33,110,131	33,110,131
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	33,110,131	33,110,131

Options to acquire ordinary shares in the parent entity are the only securities considered as potential ordinary shares in determination of diluted EPS.

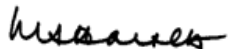
Trustees Australia

DIRECTORS' DECLARATION

For the half-year ended 31 December 2016

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 2016 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.



Michael Leslie Hackett
Chairman

Brisbane

28 February 2017



Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

To the Board of Directors of Trustees Australia Limited

I declare that to the best of my knowledge and belief, during the half year ended 31 December 2016, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (b) 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.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Robertson.

AM Robertson
Director

Date: 28 February 2017

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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 which comprises the consolidated statement of financial position as at 31 December 2016, 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.

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 gives a true and fair view and 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 a Financial Report 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 half-year 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 2016 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.

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.

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

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:

- (a) giving a true and fair view of Trustees Australia Limited's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

Robertson.

A M Robertson
Director

Level 28, 10 Eagle Street
BRISBANE QLD 4000

Date: 28 February 2017

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".