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ANNOUNCEMENT FOR IMMEDIATE RELEASE

Update on proposed acquisition of FarmWorks

On 22 October 2009, ETT Limited (ASX:ETT) (**Company**) announced that it had entered into a share purchase agreement to acquire 100% of the issued shares in FarmWorks Merchandise Services Pty Ltd (**FarmWorks**) (**Proposed Transaction**).

The Company has largely completed due diligence investigations on FarmWorks and is pleased to announce further details regarding the Proposed Transaction.

Purchase price

The purchase price for the Proposed Transaction includes:

- (a) shares totalling 25% of the enlarged capital of the Company;
- (b) options totalling 25% of the options to acquire shares in the Company currently on issue (**Options**);
- (c) 2.5% of the total issued capital of the Company in options to acquire shares if the Company achieves EBIT of \$5,000,000 in the 12 months after completion (**Tranche 1 Earn Out Options**);
- (d) 2.5% of the total issued capital of the Company in options to acquire shares if the Company achieves EBIT of \$10,000,000 in the 24 months after completion (**Tranche 2 Earn Out Options**); and
- (e) deferred consideration up to a maximum of \$800,000 (**Deferred Consideration**).

The Deferred Consideration will be paid in monthly instalments for 24 months following completion. Accordingly, the maximum instalment payable each month is \$33,333. The Company proposes to fund these instalments from cash flows.

The terms of the Options will be on the same terms as the options to acquire shares currently on issue:

- (a) the options will be exercisable at any time up to expiry date upon payment of the exercise price per option;
- (b) the rights of the option holder will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation; and

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- (c) the option holder cannot participate in any new issues of the Company without exercising the current option.

The terms of the Tranche 1 and Tranche 2 Earn Out Options are **attached** as Annexure A to this announcement.

Summary of the FarmWorks business

FarmWorks was established in Western Australia in 2001, as a specialist provider of rural merchandise to the Australian agricultural industry. The Company currently employs over 60 staff with approximately 66% of its revenue stream coming from WA, 23% from NSW and Queensland and a further 11% is derived from South Australia.

The current business activities of FarmWorks fall under the following categories:

FarmWorks Rural Merchandise (including Conquest Crop Protection Pty Ltd)

FarmWorks provides a full range of fertiliser, agricultural chemical and animal health products to the rural market. Conquest Crop Protection Pty Ltd (**Conquest**) is a 100% owned subsidiary of FarmWorks. Conquest is actively involved in the importation of technical actives and the toll manufacture of high quality generic crop protection chemicals.

FarmWorks Livestock

FarmWorks Livestock Services Pty Ltd (a wholly owned subsidiary of FarmWorks) business activities involves sales of livestock by auction, sales to Australian live exporters, sales to abattoirs, stud stock sales, feedlot supply and clearing sales.

FarmWorks Finance

FarmWorks Financial Solutions Pty Ltd (a wholly owned subsidiary of FarmWorks) offers brokering services for financial products to the rural market.

FarmWorks Real Estate

FarmWorks Property (WA) Pty Ltd (a wholly owned subsidiary of FarmWorks) specialises in all aspects of rural property sales ranging from pastoral leases in the Kimberly and Pilbara, broad acre farms in the wheatbelt and lifestyle properties in the Perth metropolitan area.

Change in Company's activities

ASX has advised the Company that it considers that the Proposed Transaction will amount to a change to the nature and scale of the Company's activities as contemplated by the ASX Listing Rules. On that basis, ASX has confirmed that the Company will be required to comply with ASX Listing Rules 11.1.2 and 11.1.3 in respect of the Proposed Transaction (which includes compliance with Chapters 1 and 2 of the ASX Listing Rules, and any consideration for the Proposed Transaction can only occur once the Company has complied with Chapters 1 and 2).

Accordingly, the Company shortly proposes to convene an extraordinary general meeting of shareholders (**EGM**) to obtain shareholder approval for:

- (a) the Proposed Transaction;
- (b) a consolidation of the Company's share capital to comply with the ASX Listing Rules;

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- (c) the issue of shares and options to the vendors of FarmWorks;
- (d) a change to the Company's name on completion of the Proposed Transaction; and
- (e) any other matters that the Company considers necessary in connection with the Proposed Transaction.

It is currently proposed that the EGM will be held on 5 February 2010.

A notice of meeting and explanatory memorandum will be despatched to shareholders in December 2009.

Compliance with Chapters 1 & 2 – ASX Listing Rules

If the Proposed Transaction is approved by shareholders at the EGM, then trading in the Company's securities will be suspended immediately, until the Company meets the requirements of Chapters 1 & 2 of the ASX Listing Rules, which is expected to occur following the EGM in February 2010.

Following the completion of the Proposed Transaction it is proposed that the Company will comply with the assets test as set out in ASX Listing Rule 1.3. Further, when the Company applies for re-admission to official quotation in accordance with Chapters 1 and 2 of the ASX Listing Rules, the Company expects to have 400 shareholders with a minimum marketable parcel of \$2,000.

Share consolidation

The Company will seek the approval of shareholders at the EGM to consolidate the capital of the Company so that upon listing, following approval by shareholders, each ordinary share will have an issue price or sale price of at least 20 cents in cash in compliance with Condition 2 in Listing Rule 2.1. The consolidation ratio will be based on the Company's share price on the last trading day prior to the EGM, and will be such that each share in the Company will have a value of at least 20 cents.

Further, if the consolidation is approved by shareholders, the options to acquire shares on issue will be consolidated on the same basis and the exercise price for those options will be adjusted on a pro rata basis.

Loan to FarmWorks

The Company has agreed to provide a loan of funds for working capital purposes to FarmWorks between now and the time of completion of the Proposed Transaction, the amount of such loan funds to be approved by the ETT board.

In order to protect the interests of ETT and its shareholders, the Company confirms that any loan funds advanced will be under the terms of a loan agreement that the Company intends to enter with FarmWorks prior to advancing any funds and containing the following safeguards:

- (a) interest is to be payable on the loan at a rate to be agreed between the parties;
- (b) up to and including completion of the Proposed Transaction, the loan is to be secured by a mortgage over the majority of the shares in FarmWorks to be acquired by the Company (**Share Mortgage**), and a guarantee and indemnity granted by some of the existing shareholders in FarmWorks which will be released immediately upon completion of the Proposed Transaction (**Guarantee**);
- (c) the loan agreement, Guarantee and Share Mortgage will contain representations and warranties, covenants and events of default usual in a transaction of this nature including but

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not limited to corporate existence, compliance with laws, negative pledge, provision of information, change of control and breach of covenant; and

- (d) the loan will be repayable immediately upon demand by the Company and, assuming that the Proposed Transaction is completed on the agreed date, will convert to an inter-company loan on the existing terms.

FarmWorks historical financial information

The historical earnings and balance sheet information for FarmWorks and all of its subsidiaries is set out in Annexure B. Earnings before interest and tax for the year ended 30 June 2009 for the FarmWorks business was approximately \$1,900,000.

Pro forma balance sheet – Post completion of the Proposed Transaction (consolidated entity)

A pro forma balance sheet for the Company post completion of the Proposed Transaction based on management accounts for the period ending 30 September 2009 for the Company and FarmWorks is set out in Annexure C.

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Annexure A

Terms of Tranche 1 and Tranche 2 Earn Out Options

1 Exercise price

- (a) Each Tranche 1 Earn Out Option will entitle the holder, on exercise, to subscribe for one unissued share in the Buyer for \$0.02.
- (b) Each Tranche 2 Earn Out Option will entitle the holder, on exercise, to subscribe for one unissued share in the Buyer for \$0.25.

2 Exercising the options

The options will be exercisable at any time from the date of grant of the options for 24 months (**Exercise Period**) by giving written notice to the Company which must be received by the Company by 5:00pm on the last day of the relevant Exercise Period (**Exercise Time**).

Any number of options may be exercised by the Exercise Time.

3 Expiry of options

Options expire at 5.00pm AEST on the last day of the Exercise Period.

4 Issue of shares

- (a) All shares allotted and issued on exercise of the options will rank equally with the Company's existing fully paid ordinary shares (including as to dividends, entitlement to which is determined after allotment).
- (b) Shares will be allotted and issued within 15 days after the Company receives a notice of exercise of option from the holder.

5 Non-quotation of options

No application will be made for the options to be quoted on ASX.

6 Transfer of options

The holder may transfer the options by a written document which is a sufficient instrument of transfer for the purposes of the *Corporations Act 2001* (Cth). A notice of the transfer must be sent to the Company.

7 Effect of Company re-organisations or new issues on options

- (a) If there is any re-organisation in the Company's ordinary share capital before the Exercise Time (such as a subdivision or consolidation of capital, return of capital or cancellation of shares), the number of unexercised options held by any person at the time of the re-organisation and the number of shares to be received on exercise of the options, is intended to be adjusted proportionately with the re-organisation, in accordance with ASX Listing Rule 7.22. Following a re-organisation, however, the holder exercising an option must not receive any benefit that holders of ordinary shares do not receive.
- (b) If the Company issues shares or other securities before the Exercise Time, the number of unexercised options held by any person at the time of the issue and the number of shares to be received on exercise of the options will not be adjusted.
- (c) There will be no change to the exercise price of the options or the number of shares to which an option will entitle a Company's shareholder if the Company makes a pro rata issue of shares or other securities to its shareholders.

8 Changes to entitlements and adjustments

- (a) The rights of the holder will be changed to the extent necessary to comply with the applicable laws and the listing rule of ASX (to the extent applicable), including those applying to a reorganisation of capital of the Company at the time of any reorganisation.
- (b) On exercise of an option, in the case of fractions (if any), the number of shares issued is rounded down to the next lower whole number and the exercise price is rounded up to the next highest cent.
- (c) The Company must give notice to the holder of any adjustment to the number, description or items of securities which are to be issued on exercise of an option, or to the exercise price.

9 Right to Participate in new issues of shares

The holder does not have the right to participate in new issues of securities without exercising the option.

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Annexure B

Summary historical financial information – FarmWorks (consolidated)

Historical Profit and loss statement – FarmWorks consolidated

	2007 consolidated	2008 consolidated	2009 consolidated
	\$'000	\$'000	\$'000
Sales	63,038	91,082	92,044
Less			
Cost of Goods	51,978	79,156	81,283
Gross profit	11,060	11,926	10,761
Less			
Operating Expenses	(8,311)	(9,189)	(8,774)
Interest	(1,664)	(2,306)	(2,163)
Forex Provision	(1,974)	1,711	267
Depreciation	(1,144)	(543)	(265)
Total Expenses	(13,093)	(10,327)	(10,935)
NPBT	(2,033)	1,599	(174)
Add back abnormal items	(225)	-	-
Operating Profit before Tax	(1,808)	1,599	(174)
Interest	1,664	2,305	2,166
EBIT	(144)	3,904	1,992
Depreciation	1,144	474	265
EBITDA	1,000	4,378	2,257

Whilst care has been taken in the preparation of the above statements, they have not been reviewed by the Company's auditors and may not be consistent with the relevant financial reporting requirements.

Historical balance sheet – FarmWorks (consolidated)

	2007 total	2008 total	2009 total
	\$'000	\$'000	\$'000
Current Assets			
Accounts Receivable	16,219	21,184	22,382
Inventory	19,272	19,500	22,166
Prepayments	514	177	542
Other	770	(155)	(68)
Total	36,775	40,706	45,022
Non Current Assets			
PP&E (WDV)	1,767	1,986	2,439
Intangibles	94	29	20
Other	1,009	714	657
Total	2,870	2,729	3,116
Total Assets	39,645	43,435	48,138
Current Liabilities			
Trade Creditors	14,831	16,031	18,604
Revolving Debt	14,785	15,598	16,623
Lease Liabilities	796	-	147
Provisions	403	(18)	-
Other	4,370	5,482	7,012
Total	35,185	37,093	42,386
Non Current Liabilities			
Term Debt	-	589	589
SH Loans	4,230	5,045	3,975
Other	84	(589)	36
Total	4,314	5,045	4,600
Total Liabilities	39,499	42,138	46,986
Net Assets	146	1,297	1,152

Whilst care has been taken in the preparation of the above statements, they have not been reviewed by the Company's auditors and may not be consistent with the relevant financial reporting requirements.



Annexure C

Pro forma balance sheet (consolidated entity post completion of the Proposed Transaction)

Pro forma balance sheet of consolidated entity post completion of Proposed Transaction based upon management accounts as at 30 September 2009

	\$000's
Current Assets	
Cash Assets	3,369
Accounts Receivable	16,686
Inventory	15,201
Other	724
Total	35,980
Non Current Assets	
PP&E (WDV)	2,137
Investments	251
Other	1,108
Total	3,496
Total Assets	39,476
Current Liabilities	
Trade Creditors	11,772
Other Creditors & Accruals	4,621
Lease Liabilities	1,209
Other Loans	472
Bank Loans	14,565
Other	(35)
Total	32,604
Non Current Liabilities	
Other	529
Total	529
Total Liabilities	33,133
Net Assets	6,343

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