ADFC Annual Report

Financial Year 2015 - 2016

Index

Australian Dairy Farmers Corporation Limited
Suite 222A, 757 Bourke Street, Docklands, Victoria, 3008
T: +61 3 9909 2208 | E: info@adfc.org.au | W: adfc.org.au

Corporate Directory

Registered office
Suite 222A
757 Bourke Street
Docklands Victoria 3008
T: +61 3 9909 2208
W: adfc.org.au

Principal place of business
Suite 222A
757 Bourke Street
Docklands Victoria 3008
T: +61 3 9909 2208
W: adfc.org.au

Chairman
Scott Sieben

Directors
Michael Roache
Paul Kerr

Chief Executive Officer
Paul Kerr

Company Secretary
Beenish Shiraz

Bankers
Australia and New Zealand Banking Group

Auditors
Grant Thornton Audit Pty Ltd

Solicitors
HWL Ebsworth Lawyers

ADFC



Australian Dairy Farmers Corporation (ADFC) is an independent dairy co-op run by Australian dairy farmers.

ADFC farmers are based in northern and south west Victoria and they supply around 125 million litres of milk to ADFC's two partners – Bulla Dairy Foods and Procal Dairies.

The co-op was formed in 2012 with a firm and guiding principal: to look after farmers and ensure that milk pricing is fair for them.

The ADFC Board and management team believe the key to a thriving Australian dairy industry lies with farmers running profitable businesses so they can invest back into their farms. With that kind of security, ADFC farmers can produce quality milk, adhere to best practice industry standards, care for the land and develop their dairy businesses.

The four C's are critical to ADFC:

Collaboration – we must not compete with our partners, but work together to maximise the efficiency for all
Co-operation – our farmers are all members and shareholders and are prepared to share the risk and success of what we do
Choice - our milk pricing system enables our farmers to choose what is best for them
Cost-effective – a low-cost model underpins everything we do



Chairman's Report

By Scott Sieben

The 2015-2016 financial year started with ADFC suppliers making some big decisions about the future direction of the co-op.

Our farmers voted to support ADFC management's strategic plan to develop the co-operative and seek investment opportunities – namely, the potential to invest in a processing plant in Victoria. Following the vote, ADFC needed to make some structural changes to give the business every opportunity to succeed in its vision. Some of the changes included slightly changing our name (co-operative to corporation), registering our suppliers as shareholders, issuing shares and raising capital.

During the year ADFC continued to work with its two partners, Bulla Dairy Foods and Procal Dairies, and initial discussions were held with a third partner to possibly come on board next financial year.

Through all of the changes made during this financial year ADFC remained true to its founding principles of treating farmers fairly and helping them run profitable businesses.

The year in review

June-July 2015:

We opened the 2015-16 financial year with a milk price of $5.87 a kilogram of milk solids for both our Procal and Bulla suppliers. There were tough market conditions to contend with and we were pleased to be able to offer a premium price that was fair and competitive.

August 2015:

We held supplier meetings to seek support for a strategic plan and potential investment opportunity for ADFC.

It became apparent that if ADFC was to prosper it needed to pursue investment opportunities to ensure long-term security for its farmers.

ADFC farmers believed the time was right to look to the future. This was a momentous move in ADFC's short history and set the scene for the rest of the financial year.

After receiving this support, PwC was appointed to look for an investment partner to possibly build a new processing plant in Victoria.

Roundtable discussion at Allansford, south west Victoria, on ADFC's next move

Presenters at the ADFC workshops (L to R) Dennis Hurren, Paul Kerr and Patten Bridge

September 2015:
To implement the strategic plan, ADFC had to make a number of changes to enable it to seek and accept investment from another entity. One of the changes was to move ADFC suppliers to ADFC members and shareholders.

During this month, board member, Cath Jenkins, stepped down after serving three months in the position. Her advice and time was much appreciated.

October 2015:
The ADFC Board formalised and met with the new ADFC Board Advisory Committee, made up of farmers from the south west of Victoria: Ben Bennett, Andrea Thompson, Carl Hammond and John Hinkley.

The Board also decided to appoint ADFC's CEO, Paul Kerr, as an interim executive director to fill the board vacancy. The committee and the board combined meant there were six ADFC farmers helping to steer the company through the newly adopted strategic plan and ensure there was a robust voice from farmers during the process.

November-December 2015:
In order to progress the development project of establishing a processing plant, it became necessary to change ADFC's rules so the organisation could be more agile and suitable for investment ventures.

For ADFC to change its rules, it needed to gain support from its shareholders. ADFC conducted a poll and the result was conclusive: ADFC received 100 per cent support from those who responded by the December due date. The result meant the new rules were officially adopted and ADFC management registered those changes with the appropriate authorities.

The other significant event in December was ADFC's annual general meeting, which was held in the south west Victorian town of Camperdown.

January-February 2016:
Following the result of the poll and the implementation of ADFC's new rules of operation, it was also necessary to change the 'C' in ADFC from Co-operative to Corporation. The name change was registered with the Australian Securities and Investment Commission. The name change was symbolic of the broader plan to ensure the business was able to pursue and accept investment partnerships and opportunities.

March-May 2016:
ADFC Board and management continued to work on the company's development project, working with PwC, accountants and consultants to ensure all opportunities and expressions of interest were scrutinised. There continued to be a good level of interest in ADFC and the potential opportunity to build a processing plant in Victoria.

Supplier meetings were held in April and May to give farmers an opportunity to discuss ADFC's Prospectus – a document written following the vote by farmers to proceed with the development project. The next step in the strategic/business plan was to then issue the first share subscription for ADFC shareholders.

June-July 2016:
The opening milk price for ADFC shareholders who supply milk to Procal was an average of $5.07 a kilogram of milk solids for the 2016-17 financial year. The opening price for Bulla suppliers was $4.90. Both prices reflected a downturn in the milk price across the sector and followed a tough couple of months in the industry following a shock downturn and clawback from dairy processing industry leaders.

ADFC board and management welcomed a delegation from a Chinese company that has showed strong interest in ADFC's investment project. The delegation members were taken on a tour of south west Victoria as part of their visit.

In conclusion: This is an exciting time for ADFC and a great opportunity for our farmers to create the type of dairy business that can provide the fair model they need. We have the right ingredients: we are independent, we are flexible, we can work with multiple processors and partners, and we have a simple guiding goal - to always seek fairness for our farmers.

I would like to thank ADFC shareholders and associates for continuing to back ADFC. It has been a tough end to the financial year, but the resolve from our farmers has been encouraging and I hope the next financial year will see an upturn in milk prices and, for ADFC, I hope to welcome an investment partner.

As always, it has been a privilege to serve as ADFC Chairman for the 2015-16 financial year. Finally, I would like to thank my family, my fellow board members, the management team and ADFC farmers for your support.

Scott Sieben
Chairman

CEO's Report

By Paul Kerr

It has been a significant financial year for ADFC.

Our suppliers became shareholders, and therefore owners of the business. They all supported a bold strategic plan to seek investment opportunities for the co-op.

ADFC is continuing to work hard to ensure it has a solid future – it is not all about short term gains at the expense of long term security. If we are to be successful, then we must be looking to the next generation of young farmers.

As always, we continued to work closely with our partners, Procal and Bulla, and we thank them for their support during the year. Without them our business would not exist.

We also look forward to bringing on a new partner next financial year, as the company continues to seek opportunities with like-minded dairy processing organisations. Collaboration is the key for ADFC.

Beyond our partnerships is ADFC's development project to invest in milk processing in western Victoria.

As outlined last year, investment is the key to ADFC's prosperity and security. Without investment, the business can't add value to our partners; nor can our farmers expect to have a say in the milk price. We want a more secure future and that is why we worked hard all year to secure opportunities and set up the business in readiness for a potential investor.

ADFC spent a great part of this financial year working with PwC on the development project. Progress has been slow, but positive. ADFC signed a number of confidentiality agreements with potential investors during the year and met with a number of interested parties in late 2015 and 2016.

As we move forward, we will continue to progress discussions with a number prospective investors as we work towards investing in a processing plant, which is more likely to be built in 2018. This process will take some time in light of the turmoil the industry found itself in late in the 2016 season after the major processors announced unexpected milk price cuts. We appreciate the patience of our farmers – as this ambitious plan will require their ongoing support.

I look forward to continuing our work to secure an investment opportunity for ADFC and hope that we can report good news about an investment partner in the not-too-distant future.

I would like to thank everyone for their commitment to ADFC this financial year.

Paul Kerr
Chief Executive Officer

Board of Directors

L to R: Michael Roache, Scott Sieben and Paul Kerr

Scott Sieben has been on the ADFC Board since its inception in 2012 and accepted the Chairman's position in February 2013. He is a member of the Australian Institute of Company Directors and is studying for his Diploma of Business Management. Scott and his wife, Jade, have a dairy farm at Torrumbarry in northern Victoria where they milk 230 cows on 180 hectares.

Michael Roache was appointed to the ADFC Board at its inception in 2012. He has more than 40 years of hands-on experience in dairy farming and the broader agricultural industry. Michael is a third-generation dairy farmer at Nalangil, Victoria, where he and his family run the oldest original dairy farm in the district. His farm has 550 cows producing more than 4 million litres of milk a year.

Paul Kerr joined ADFC as its Chief Executive Officer in September 2014 and its Interim Executive Director in September 2015. He holds a Graduate Diploma of Accounting and Finance as well as a Bachelor of Business. He is a current member of CPA Australia and the Governance Institute of Australia. Paul has extensive management experience and spent 27 years at a major Australian dairy company.

Board Advisory Committee

L to R: Ben Bennett, Andrea Thompson, Carl Hammond and John Hinkley

The ADFC Board Advisory Committee members are ADFC shareholders and farm in south west Victoria. The members are: **Ben Bennett**, who milks around 350 cows on his 300-hectare farm in Camperdown. **Andrea Thompson** who has been a dairy farmer for 35 years and has a 240-hectare farm in Timboon. **Carl Hammond**, who has been a dairy farmer for 15 years and milks around 360 cows in Larpent. And **John Hinkley** who milks 570 cows on his 320-hectare farm in Elingamite.

ADFC Management

L to R: Ron Page, Paul Kerr and Beenish Shiraz

Chief Executive Officer & Executive Director – Paul Kerr
Paul Kerr joined ADFC as its Chief Executive Officer in September 2014.He has extensive management experience in the dairy industry and holds a Graduate Diploma of Accounting and Finance as well as a Bachelor of Business.

Paul spent 27 years at Murray Goulburn, including 11 years as its chief operating officer. He has worked as a management consultant to a number of dairy companies and has expertise in finance, international trade, supply chain management, strategy and business development.

Finance Manager & Company Secretary – Beenish Shiraz
Beenish Shiraz is a senior level executive with more than 14 years of experience in business management and finance.

She has worked in diverse industries including hospitality, automotive and agriculture and in her previous role, held the position of chief financial officer for a multinational company. Beenish holds a Bachelor of Business Administration, a Master of Commerce, a Master of Professional Accounting and is a member of CPA Australia.

National Farm Services Manager – Ron Page
Ron Page joined ADFC in early 2014 and has more than 14 years of experience in the Australian dairy industry. Over this time he has developed a wide range of experience and expertise in issues management, business development and stakeholder relations.

Ron holds a Master of Sustainable Agriculture from Sydney University, a Bachelor of Applied Science (Agriculture) from The University of Melbourne and a diploma from the Australian Institute of Company Directors.

Directors' Report

In accordance with a resolution of Directors, the Directors of Australian Dairy Farmers Corporation Ltd (formerly Australian Dairy Farmers Co-operative Limited) ('ADFC' or the 'Company') present their report on the Company for the year ended 30 June 2016.

DIRECTORS

The following persons were Directors during the financial year and up to the date of this report:

- Scott Sieben - Chairman
- Paul Kerr (appointed 7 September 2015)
- Michael Roache
- Catherine Jenkins (resigned 7 September 2015)

PRINCIPAL ACTIVITIES

ADFC is unlisted public company which is owned and run by Australian dairy farmers. There have been no significant changes in the nature of these activities during the year.

REVIEW OF OPERATIONS

Loss from continuing operations after income tax was $55,998 (2015: profit $326,101).

Revenue for the year has decreased by 3% from $59,694,071 to $57,933,963 which driven by the decrease in milk price during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 5 February 2016, the Company changed its structure from a Co-operative registered in NSW under the Co-operatives (Adoption of National Law) Act 1992 to an Unlisted Public Company Limited by Shares. As a result, members' capital was converted to share capital during the year.

Furthermore, 275,000 redeemable preference shares were issued during the year as part of its capital raising program which resulted in proceeds of $230,835 during the year and outstanding balance of $44,165 at 30 June 2016.

DIVIDENDS

There were no dividends paid or declared for the year ended 30 June 2016.

SUBSEQUENT EVENTS

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Company's operations in future financial years;
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

FUTURE DEVELOPMENTS

The Company expects to continue operating as an ongoing entity and it is expected that new supply arrangements will be entered into with existing and new customers.

UNISSUED SHARES OR ISSUED SHARES UNDER OPTION

There were no unissued shares or issued shares under option during or since year end.

Directors' Report

ENVIRONMENTAL LEGISLATION

The Company's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

INDEMNIFICATION AND INSURANCE

During the financial year, the Company paid a premium to insure past and present directors and officers. The insurance contract prohibits further disclosure.

In addition, the Company has indemnified past and present directors and officers of the Company. The indemnity covers legal and other costs incurred in defending certain civil or criminal proceedings that may be brought against the directors or officers while acting in that capacity.

PROCEEDINGS ON BEHALF OF THE ENTITY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

ROUNDING OF AMOUNT

The Company is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest $1,000, or in certain cases, to the nearest dollar.

MEETINGS OF DIRECTORS

The number of eligible board meetings held and attended by each Director during the year was:

	Board Meetings	
	A	B
Scott Sieben	8	8
Paul Kerr	5	5
Michael Roache	8	8
Catherine Jenkins	2	2

Column A – The number of meetings attended.

Column B – Indicates the number of meetings the Directors were eligible to attend.

Directors' Report

AUDITOR'S INDEPENDENCE DELCARATION

The lead auditor's independence declaration for the year ended 30 June 2016 is included on page 14 and forms part of the Directors' Report.

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

Scott Sieben

Chairman

Michael Roache

Director

Melbourne, 22 September 2016

Grant Thornton

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF AUSTRALIAN DAIRY FARMERS CORPORATION LTD

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Australian Dairy Farmers Corporation Ltd for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A.J. Pititto
Partner - Audit & Assurance

Melbourne, 22 September 2016

Corporate Governance

THE BOARD OF DIRECTORS

Board composition

The board comprises 3 directors: 2 farmer directors and 1 non-farmer director.

The chairman is elected by the board in the first board meeting following the AGM. Directors are generally subject to re-election every four years.

Board responsibilities

The board is responsible to members for the overall governance of the Company and aims to carry out its responsibilities to create and build value for the benefit of all members.

The board recognises its responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of the Company's members. Directors and members of board committees have access to the advice of external experts when required. Requests for advice are approved by the board and advice, when obtained, is made available to the whole board.

The board is responsible to members for the overall governance of the Company and aims to carry out its responsibilities to create and build value for the benefit of all members.

The board typically meets on a monthly basis. In addition, the board has established the following committees to assist with the execution of its duties as well as allow for more detailed consideration of issues. Each committee has a charter which has been approved by the board. Details of board and committee meetings are provided in the Directors' report.

AUDIT, FINANCE AND GOVERNANCE COMMITTEE

The committee is comprised of three directors appointed by the board, and is chaired by a director who is not the chairman of the board.

Composition

The committee currently comprises:

Scott Sieben

Michael Roche

Paul Kerr

The Committee did not meet during the year.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2016	Note	2016	2015
		$	$
Sales revenue		57,933,963	59,694,071
Other income	2	12,593	21,308
Total revenues		57,946,556	59,715,379
Cost of materials		(56,562,635)	(58,367,132)
General expenses	2	(769,959)	(325,929)
Finance expenses		(9,630)	10,152
Employee benefits expenses	2	(626,816)	(530,467)
Motor vehicle expenses		(36,016)	(30,409)
Depreciation and amortisation expenses		(21,613)	(19,822)
Total expenses		(58,026,669)	(59,263,607)
Profit/(loss) from continuing operations before income tax		(80,113)	451,772
Income tax benefit/(expense)	3	24,115	(125,671)
Profit/(loss) from continuing operations after income tax		(55,998)	326,101
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year attributable to members of the Company		(55,998)	326,101

The above statement of profit or loss & other comprehensive income should be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2016	Note	2016	2015
		$	$
Current assets			
Cash and cash equivalents	4	241,328	277,992
Trade and other receivables	5	4,558,086	5,501,417
Other assets	6	21,251	22,775
Total current assets		4,820,665	5,802,184
Non-current assets			
Intangible assets	7	18,481	35,429
Plant & equipment	8	7,172	10,110
Deferred tax asset	9	111,891	30,546
Total non-current assets		137,544	76,085
Total assets		4,958,209	5,878,269
Current liabilities			
Trade and other payables	10	4,420,303	5,508,450
Provisions	11	34,568	21,299
Income tax payable	3	114,511	125,928
Total current liabilities		4,569,382	5,655,677
Non-current liabilities			
Members' capital	21	-	25
Total non-current liabilities		-	25
Total liabilities		4,569,382	5,655,702
Net assets		388,827	222,567
Equity			
Share capital	22	222,258	-
Retained earnings	13	166,569	222,567
Total equity		388,827	222,567

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

For the year ended 30 June 2016

	Note	Share capital	Retained earnings/ (Accumulated losses)	Total
		$	$	$
Balance at 30 June 2014*		-	(103,534)	(103,534)
Profit for the year		-	326,101	326,101
Other comprehensive income		-	-	-
Total comprehensive income/(loss)		-	326,101	326,101
Balance at 30 June 2015*		-	222,567	222,567
Loss for the year		**-**	**(55,998)**	**(55,998)**
Other comprehensive income		**-**	-	-
Total comprehensive income/(loss)		**-**	**(55,998)**	**(55,998)**
Conversion of members' capital to share capital	22	**97**	-	**97**
Issue of redeemable preference shares	22	**275,000**	-	**275,000**
Share issue costs (net of tax benefit)	22	**(52,839)**	-	**(52,839)**
Balance at 30 June 2016		**222,258**	**166,569**	**388,827**

* Note that for the prior year comparatives and in accordance with AIFRS, members' share capital ('ordinary shares') is treated as a liability. Accordingly, net assets are presented after deducting members' share capital and total equity is presented excluding members' share capital.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 30 June 2016

	Notes	2016	2015
		$	$
Cash flows from operating activities			
Receipts from customers		64,813,606	59,846,435
Payments to suppliers and employees		(64,970,555)	(59,312,640)
Interest received/ (paid)		12,593	(1,908)
Income tax received/(paid)		(46,002)	-
Net cash (used in)/from operating activities	20	(190,358)	531,887
Cash flows from investing activities			
Purchase of plant & equipment		(1,727)	(12,163)
Net cash used in investing activities		(1,727)	(12,163)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	21	72	17
Proceeds from issue of redeemable preference shares	22	230,834	-
Payments for share issue costs	22	(75,485)	-
Repayments of loans from related parties		-	(303,353)
Net cash from/(used in) financing activities		155,421	(303,336)
Net increase/(decrease) in cash and cash equivalents			
Net increase/(decrease) in cash and cash equivalents for the year		(36,664)	216,388
Cash and cash equivalents at the beginning of the financial year		277,992	61,604
Cash and cash equivalents at the end of the year	4	241,328	277,992

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial report is for Australian Dairy Farmers Corporation Ltd (formerly Australian Dairy Farmers Co-operative Limited) ('ADFC' or the 'Company'), an unlisted public company incorporated and domiciled in Australia.

(a) Basis of preparation

The Group has elected to adopt the Australian Accounting Standards – Reduced Disclosure Requirements (established by AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements).

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001. Australian Dairy Farmers Corporation Ltd is a for-profit entity for the purpose of preparing the financial statements.

The financial statements for the year ended 30 June 2016 were approved and authorised for issue by the Board of Directors on 22 September 2016.

These financial statements have been prepared on an accrual basis and are based on historical cost modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Going concern basis of accounting

As outlined in Note 23, the Company is economically dependent on two customers whose contracts are due to expire on 30 June 2017.

The Directors believe that these contracts will be renewed prior to expiry and additional new customer contracts are currently being negotiated which should also be secured.

The ability of the Company to continue as a going concern is dependent on the renewal of existing customer contracts or obtaining new contracts.

The financial statements of the Company do not include any adjustments relating to the recoverability or classification of recorded asset amounts or classification of liabilities, which might be necessary should the Company not be able to continue as a going concern.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions which are subject to an insignificant risk of change in value.

(d) Trade and other receivables

Trade and other receivables are recognised initially at fair value, which is typically the invoice value, and are subsequently measured at amortised cost less provision for impairment. Trade and other receivables are generally due for settlement within 30 days.

The collectability of receivables are reviewed on an ongoing basis and a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

(e) Intangible assets

Acquired intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. The following useful lives are applied:

Software: 4 years

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

(f) Trade and other payables

Trade creditors and accruals typically represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(g) Foreign currency translation

The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

A sale is recorded when the goods have been delivered to and accepted by the customer or its agent and collectability of the related receivable is probable.

(ii) Interest revenue

Interest income is recognised on a time proportion basis using the effective interest method.

(i) Members' share capital

Ordinary shares are initially recorded at fair value and are subsequently measured at amortised cost. As a result, the liability is measured at $1.00 per share. When ordinary shares are repurchased, the consideration of $1.00 per share is deducted from members' share capital.

On 5 February 2016, the Company changed its structure from a Co-operative registered in NSW to an Unlisted Public Company Limited by Shares. As a result, members' capital was converted to share capital during the year.

(j) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from or payable to the taxation authority is included with trade and other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from or payable to the taxation authority are presented in operating cash flows.

(k) Income tax

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office (ATO) and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Company's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

(l) Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries and annual leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Other long-term employee benefits

The Company's liabilities for long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Company presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

(m) Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition, (ii) less principal repayments, (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Company does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

I. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

II. Financial liabilities

The Company's financial liabilities include trade and other payables. Financial liabilities are measured subsequently at amortised cost.

(n) Significant management judgements

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) New accounting standards
Changes in accounting policies

New and revised standards are effective for annual periods beginning on or after 1 July 2015

A number of new and revised standards became effective for annual periods beginning or after July 1 2015. Information on these new standards is presented below.

I. AASB 9 Financial Instruments:

Nature of change

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.
d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
   - the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
   - the remaining change is presented in profit or loss

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities

Likely impact on initial application

The Company is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

II. AASB 1057 Application of Australian Accounting Standards

Nature of change

In May 2015, the AASB decided to revise Australian Accounting Standards that incorporate IFRSs to minimise Australian-specific wording even further. The AASB noted that IFRSs do not contain application paragraphs that identify the entities and financial reports to which the Standards (and Interpretations) apply. As a result, the AASB decided to move the application paragraphs previously contained in each Australian Accounting Standard (or Interpretation), unchanged, into a new Standard AASB 1057 Application of Australian Accounting Standards.

Likely impact on initial application

When this Standard is first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

III. AASB 16 Leases

Nature of change

- replaces AASB 117 Leases and some lease-related Interpretations
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

Likely impact on initial application

The Company is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the Company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

IV. AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

Nature of change

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy

Likely impact on initial application

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

Notes to the Financial Statements

	2016	2015
	$	$
NOTE 2: REVENUE AND EXPENSES		
Other income		
Interest revenue	10,093	11,599
Other	2,500	9,709
	12,593	21,308
Expenses		
General expenses		
Accounting and bookkeeping fees	42,980	52,854
Advertising and marketing	3,348	10,341
Legal fees	54,553	29,205
Software expenses	76,810	50,910
Rent and outgoings	29,896	21,525
Dairy technical services' testing	67,115	64,774
Consulting fees	190,935	-
Milk swap fee	153,000	-
Other expenses	151,322	96,320
Total general expenses	769,959	325,929
Employee benefits expenses		
Wages, salaries	397,883	295,853
Superannuation	48,788	38,255
Directors' fees	115,677	115,677
Other	64,468	80,682
Total employee benefits expenses	626,816	530,467

NOTE 3: INCOME TAX

The major components of tax expense and the reconciliation of the expected tax expense based on effective tax rate of 30% (2015: 30%) and the reported tax expense in profit or loss are as follows:

Profit/(loss) from ordinary activities before tax	**(80,113)**	451,772
Prima facie tax expense/(benefit) on the loss from ordinary activities calculated at 30%	**(24,034)**	135,532
Under/over from prior year	**-**	(9,861)
Other	**(80)**	-
Income tax expense/(benefit)	**(24,115)**	125,671

Tax expense comprises:

• Current tax expense	**34,666**	139,404
• Deferred tax expense	**(58,700)**	(254)
• Under/over from prior year	**-**	(9,861)
• Other	**(81)**	(3,618)
Income tax expense/(benefit)	**(24,115)**	125,671

Income tax payable comprises:

Income tax payable in relation to prior year	**80,166**	125,928
Income tax payable in relation to current year	**34,345**	-
Income tax payable	**114,511**	125,928

Notes to the Financial Statements

	2016	2015
	$	$

NOTE 4: CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank	241,328	277,992

NOTE 5: TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables	4,508,690	5,495,759
Other receivables	49,396	5,658
Total trade and other receivables	4,558,086	5,501,417

NOTE 6: OTHER ASSETS

	2016	2015
Prepayments	21,251	22,775
Total other assets	21,251	22,775

NOTE 7: INTANGIBLE ASSETS

	2016	2015
Computer software at cost		
Balance at beginning of year	35,429	51,900
Additions during the year	742	1,002
(Less) amortisation expense	(17,690)	(17,473)
Balance at end of the year	18,481	35,429

NOTE 8: PLANT & EQUIPMENT

	2016	2015
Computers at cost		
Balance at beginning of year	5,791	1,298
Additions during the year	772	5,997
(Less) depreciation expense	(1,335)	(1,504)
Balance at end of the year	5,228	5,791
Office equipment at cost		
Balance at beginning of year	4,319	-
Additions during the year	213	5,164
(Less) depreciation expense	(2,588)	(845)
Balance at end of the year	1,944	4,319
Total plant and equipment	7,172	10,110

Notes to the Financial Statements

NOTE 9: DEFERRED TAX ASSETS

	1 July 2015	Recognised in profit or loss	Recognised directly in equity	30 June 2016
	$	$	$	$
Liabilities				
Accruals	18,264	(237)	-	18,028
Other				
Section 40-880 deductions	12,282	58,937	22,645	93,863
	30,546	58,700	22,645	111,891

	1 July 2014	Recognised in profit or loss	Recognised directly in equity
	$	$	$
Liabilities			
Accruals	11,868	6,396	-
Other			
Section 40-880 deductions	18,424	(6,142)	-
	30,292	254	-

NOTE 10: TRADE AND OTHER PAYABLES

	2016	2015
	$	$
Current		
Superannuation payable	1,379	72
Trade creditors	4,379,988	5,461,705
Accrued expenses	36,724	44,210
Other current liabilities	2,212	2,463
Total trade and other payables	4,420,303	5,508,450

NOTE 11: PROVISIONS

	2016	2015
Current		
Annual leave	34,568	21,299
Total provisions	34,568	21,299

Provision for annual leave represents the Company's obligations to its current employees that are expected to be settled in the 2017 financial year.

Notes to the Financial Statements

NOTE 12: FINANCIAL ASSETS AND LIABILITIES

Note 1(m) provides a description of each category of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	2015 Financial assets at amortised cost	2015 Total	2016 Financial assets at amortised cost	2016 Total
	$	$	$	$
Financial assets				
Cash and cash equivalents	277,992	277,992	**241,328**	**241,328**
Trade and other receivables	5,501,417	5,501,417	**4,513,920**	**4,513,920**
	5,779,409	5,779,409	**4,755,248**	**4,755,248**

	Other liabilities at amortised cost	Total	Other liabilities at amortised cost	Total
	$	$	$	$
Financial liabilities				
Trade and other payables	5,508,449	5,508,449	**4,420,303**	**4,420,303**
Income tax payable	125,928	125,928	**114,511**	**114,511**
	5,634,377	5,634,377	**4,534,814**	**4,534,814**

The carrying amount of the following financial assets and liabilities are considered a reasonable approximation of fair value:

- cash and cash equivalents
- trade and other receivables
- trade and other payables

NOTE 13: RETAINED EARNINGS/(ACCUMULATED LOSSES)

Balance at beginning of the year	**222,567**	(103,534)
Current year earnings/(loss)	**(55,998)**	326,101
Balance at end of the year	**166,569**	222,567

NOTE 14: CAPITAL COMMITMENTS

The Company has no capital commitments for expenditures as at 30 June 2016.

NOTE 15: OPERATING LEASE COMMITMENTS

The Group leases an office under an operating lease. The future minimum lease payments are as follows:

Within 1 year	**3,432**	17,160
1 to 5 years	**21,416**	3,432
After 5 years	**-**	-
Total	**24,848**	20,592

Notes to the Financial Statements

	2016	2015
	$	$

NOTE 16: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company does not have any contingent liabilities or contingent assets as at 30 June 2016.

NOTE 17: AUDITOR'S REMUNERATION

	2016 $	2015 $
Audit services – Grant Thornton		
Remuneration for audit or review of financial statements	36,000	35,000
Other services – Grant Thornton		
• investigating accountant	20,000	-
• taxation services	9,130	3,574
• other	21,783	4,500
Total other services remuneration		
Total auditor's remuneration	86,913	43,074

NOTE 18: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors The Directors of the Company during the year and up to the date of the Directors' Report were: Scott Sieben (Chairman), Michael Roache, Catherine Jenkins (resigned 7 September 2015), and Paul Kerr (CEO, appointed 7 September 2015).

(b) Principles used to determine the nature and amount of remuneration

Remuneration was provided to Directors during the period for duties performed as Directors of the Company.

(c) Key management personnel compensation

	2016 $	2015 $
Short-term employment benefits	281,261	115,154
Post-employment benefits (superannuation)	26,605	10,940
Total key management personnel compensation	307,866	126,094

The compensation noted above comprises the fixed fees for all Directors during the year (inclusive of superannuation).

NOTE 19: RELATED PARTY TRANSACTIONS

There is no outstanding payable/receivable from related parties as at 30 June 2016.

NOTE 20: CASH FLOW RECONCILIATION

	2016 $	2015 $
Profit/(loss) attributable to members	(55,998)	326,101
Non-cash items in operating profit		
Depreciation and amortisation	21,613	19,822
Movement in assets and liabilities		
(Increase)/decrease in trade and other receivables	987,497	(5,307,592)
(Increase)/decrease in other assets	1,523	(22,772)
(Increase)/decrease in deferred tax assets	(58,699)	(254)
Increase/(decrease) in trade and other payables	(1,088,146)	5,369,355
Increase/(decrease) in provisions	13,269	21,299
Increase/(decrease) in income tax payable	(11,417)	125,928
Net cash (used in)/from operating activities	(190,358)	531,887

Notes to the Financial Statements

NOTE 21: MEMBERS' CAPITAL ON CONVERSION FROM CO-OPERATIVE TO UNLISTED PUBLIC COMPANY

	2016 No. of Shares	2015 No. of Shares	2016 $	2015 $
Opening balance – shares of $1 each (fully paid)	25	8	25	8
Ordinary share issues – shares of $1 each (fully paid)	72	17	72	17
Conversion to share capital	(97)	-	(97)	-
Closing Balance	-	25	-	25

Ordinary shares

Note that in accordance with AIFRS, members' share capital ('ordinary shares') is treated as a liability in 2015. Classification in this manner occurs because the Co-operative must forfeit and ultimately repay share capital that is forfeited under the inactive membership rules contained in the Co-operatives Act 1992 (as amended) and the Rules of the Co-operative.

Ordinary shares entitle the holder to participate in dividends of the Co-operative in proportion to the number of shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each shareholder is entitled to one vote.

On 5 February 2016, the Company changed its structure from a Co-operative registered in NSW to an Unlisted Public Company Limited by Shares. As a result, members' capital was converted to share capital during the year.

Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns to members and for other stakeholders and to maintain an optimal structure to reduce costs of capital.

In order to maintain or adjust the capital structure the Company may reduce its share capital, adjust the amount of dividends paid to shareholders including through the dividend re-investment plan (currently suspended) or may guarantee capital through deductions from payments to members of milk supplies under the terms of its share acquisition program (currently suspended).

The board of Directors and the audit, finance and governance committee monitor the capital needs of the Company.

NOTE 22: SHARE CAPITAL

	2016 No. of Shares	2015 No. of Shares	2016 $	2015 $
Opening balance – shares of $1 each (fully paid)	-	-	-	-
Converted to share capital – ordinary shares of $1 each (fully paid)	97	-	97	-
Redeemable preference share issues – shares of $1 each (fully paid)	230,834	-	230,834	-
Redeemable preference share issues – shares of $1 each (unpaid)	44,166	-	44,166	-
Share issue costs (net of tax benefit)	-	-	(52,839)	
Closing Balance	275,097	-	222,258	-

On 5 February 2016, the Company changed its structure from a Co-operative registered in NSW to an Unlisted Public Company Limited by Shares. As a result, members' capital was converted to share capital during the year.

In accordance with the Company's constitution, redeemable preference shares were issued during the year of which $44,166 of the proceeds was unpaid at 30 June 2016. The redemption of preference shares and payment of dividends are at the discretion of the Board.

Notes to the Financial Statements

NOTE 23: ECONOMIC DEPENDENCE

The Company is dependent upon the renewal of its two customer contracts which are due to expire on 30 June 2017. At the date of this report, the Directors have no reason to believe that these contracts will not be renewed. The renewals are expected to be finalised by December 2016.

NOTE 24: EVENTS AFTER THE REPORTING PERIOD

There are no matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either:

- the Company's operations in future financial years;
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

NOTE 25: COMPANY DETAILS

The registered office and principal place of business is:

Suite 222A 757 Bourke Street Docklands VIC 3008

Directors' Declaration

In the opinion of the Directors of Australian Dairy Farmers Corporation Ltd:

(a) the financial statements and notes of Australian Dairy Farmers Corporation Ltd, as set out on pages 16 to 32, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the financial year ended on that date.

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Australian Dairy Farmers Corporation Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Scott Sieben
Chairman

Michael Roache
Director

Melbourne, 22 September 2016

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AUSTRALIAN DAIRY FARMERS CORPORATION LTD

We have audited the accompanying financial report of Australian Dairy Farmers Corporation Ltd (the "Company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration of the Company.

Directors' Responsibility for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001*. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the 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 an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

ADFC | AUSTRALIAN DAIRY FARMERS CORPORATION
Fairness for our farmers

Suite 222A, 757 Bourke Street, Docklands, Victoria, 3008
T: +61 3 9909 2208 | E: info@adfc.org.au | W: adfc.org.au