



# ANNUAL REPORT

*Australian Dairy Farmers Corporation*





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# Corporate Directory

**Australian Dairy Farmers Corporation Limited**

ACN 610 590 200

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**Registered office**

Suite 222A, 757 Bourke Street, Docklands Victoria 3008

T: +61 3 9909 2208

W: [adfc.com.au](http://adfc.com.au)

**Principal place of business**

Suite 222A, 757 Bourke Street, Docklands Victoria 3008

T: +61 3 9909 2208

**Bank**

National Australia Banking Group

**Chairman**

Peter Mulheron

**Directors**

Jade Sieben (Vice Chair)

Douglas Hanks

Rod Slattery

**Company Secretary** (shared role)

Ron Page

Paul Casey

**Auditor**

Grant Thornton Audit Pty Ltd

**Solicitor**

HWL Ebsworth Lawyers





# ADFC

Australian Dairy Farmers Corporation (ADFC) is an independent dairy co-operative run by Australian dairy farmers. Our farmers, based in northern, south west and east Victoria, for FY23, currently supply around 300 million litres of quality milk to ADFC's key customers.

These companies use our milk to make premium dairy products that are sold in Australia and overseas. ADFC was established in 2012 with a firm vision: to look after dairy farmers and make sure they receive a fair price for their milk. We work with our farmers to give them every opportunity to be profitable so they can grow their businesses with confidence.

The co-operative is guided by four values:

**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.





# Chairmans Report

## Season 2021/22 has seen the continued evolution of Australian Dairy Farmers Corporation.

Andrew Sutton has seamlessly settled into the General Managers role. Andy has been very active in visiting our farm suppliers to gain a great understanding of their situations and to understand how ADFC can better assist them.

Andy has been well supported by both Paul Casey and Ron Page, who have highlighted how invested they are in both ADFC and our farmers, demonstrated by their willingness to assist at all levels across the company. We have also seen the addition of Wendy Brown to the staff. Wendy has been a fantastic addition in her short time with us and offers great support and back-up across all management roles.

ADFC has also seen the addition of Jade Sieben as the Director for the Northern Region and Doug Hanks as our Interim Director in the Eastern Region. Along with Rod Slattery they have provided invaluable support to me in my first year as Chairman. Scott Sieben has moved into a consultant role and continues to provide both guidance and reassurance, especially to myself and Andy.

I would like to thank all these people for all their support and dedication over the last 12 months.







# Chairmans Report

With an ADFC record opening price of \$9.75 for the 22/23 season along with the addition of new farm suppliers the outlook for ADFC remains very positive for the remainder of the season. This follows on from an extremely competitive weighted average price of \$7.65 for the 21/22 season.

Without our loyal suppliers ADFC would not exist. In a year when competition for milk supply was strong, to not only maintain but grow our milk pool was a credit to all involved at ADFC. As history has shown ADFC has not only been able to deliver one of the leading industry farm gate milk prices but also provide farmers with a business model that offers transparency and fairness to all members. So, thank you to all our loyal suppliers and welcome to all our new ones.

With a growing milk pool, the introduction of new customers and the continued support of our long-term loyal farmers and customers, the future for ADFC is very exciting. ADFC has added something to the dairy industry that was missing, a company fighting for farmers to deliver a fair return to achieve a sustainable dairy industry for the future. ADFC is a unique business model within the dairy industry and with farmers support ADFC will continue to thrive and make a difference for all farmers.

Yours Sincerely,

*Peter Mulheron | Chairman  
Melbourne, 29th September 2022*





# ADF Board



**Peter Mulheron**

Chairman | Joined April 2017

Peter joined the ADF Board in April 2017. Peter is a fourth-generation farmer and with his wife Trish and son James milk around 240 cows on their 158 hectare dry land farm at Swan Marsh in South West Victoria. Peter has extensive experience in board governance having served on numerous boards and committees over the years. This included roles as chairman, vice-chairman and treasurer of sporting associations, school boards, community bodies and RSLs. Peter is also a graduate member of the Australian Institute of Company Directors (GAICD). His aim is to continue to work with board and management to achieve fairness for all our farmers that will enable them to have a sustainable future for themselves and other suppliers.



**Jade Sieben**

Director and Vice Chair  
Joined November 2011

Jade joined the ADF Board in November 2021 as the representative of the Northern Supply Region. Jade has been a dairy farmer for approximately 20 years and has supplied ADF since the start of the company. Jade has an Associate Diploma of Applied Science Animal Production from the University of Queensland Grattan College.

She has also been on the Holstein National Judging panel for 25 years and regularly is invited to judging at various shows around the country. Jade has been the past president in the North West Sub-Branch and has been the secretary for the past 7 years.



**Douglas Hanks**

Director | Joined December 2011

Douglas joined the ADF Board in December 2021 as the representative of the Eastern Supply Region. Douglas bought his first farm in 1987. With his partner Twila and manager of 21 years, Matt, he currently operates a dairy herd of 400 cows on 200 hectares and runs beef and replacement stock on another 160 hectares in the Stony Creek region of Gippsland.

He has previously owned and managed a hardware business in the early part of the 2000's. Douglas has also acted as president, vice president and committee member in various organisations.



**Rod Slattery**

Independent Director  
Joined June 2017

Rod joined the ADF Board in June 2017 as a Non-Supplier Director. Rod is a Chartered Accountant and a graduate member of the Australian Institute of Company Directors (GAICD) and has over 30 years of experience working in a professional environment, with PPB Advisory (17 years) and PwC (18 years). He has provided strategic advice to all levels of agribusiness, in consultation with financiers and advisors to achieve the best outcomes for all stakeholders. Rod is based in regional Victoria (small farm on the Bellarine Peninsula) and is sensitive to the economic and personal impact unique to dairy families and local communities.





# ADFC Management



**Andrew Sutton**  
General Manager

Andrew was raised on a dairy farm in Northern Victoria and joined ADFC in August 2021 after 25 years with Parmalat/Lactalis. During his time with Lactalis, Andrew was responsible for the planning and logistics of Lactalis' 1.2B litre national milk pool.

Andrew was also responsible for all purchase and sales of milk and dairy ingredients. This enabled Andrew to build a strong network within the Australian dairy industry.



**Ron Page**  
Operations Manager  
& Company Secretary

Ron Page has been with ADFC from the outset and has helped create the unique company that it is today. Ron holds a diploma from the Australian Institute of Company Directors and has served on numerous state government and non-government boards.

Ron's commitment to primary industry is supported by a Master of Sustainable Agriculture and a Bachelor of Applied Science (Agriculture). He has worked with dairy farmers throughout Australia for the last 20 years and is well placed to provide good governance within ADFC.



**Paul Casey**  
Finance Manager & Company Secretary

Joining ADFC in June 2018, Paul is a member of CPA Australia and a Fellow of the Chartered Institute of Certified Accountants.

Originally from an agricultural background in Ireland, for the past 27 years Paul has worked in senior finance positions, in various industries, for large multinationals, SMEs and Federal Government entities in London, Melbourne and Abu Dhabi.



**Wendy Brown**  
Farm Liaison Officer

Joining ADFC in May 2022, Wendy's role is to support the operations teams. She has worked within the industry for many years and has been involved with many industry projects and changes placed on suppliers and companies to comply with an ever-changing commercial environment.

She brings to ADFC a wealth of knowledge and passion in all aspects of the dairy process from the farm, transport and through to manufacturing.

## *Board Advisory Committee*

The ADFC Board Advisory Committee members are ADFC shareholders from South West, East and Northern Victoria. The committee is a great resource for the ADFC Board. The members provide valuable feedback and offer advice regarding board-level decisions.

During the 2021-22 financial year, the following people generously offered their time to serve on the committee: Alana Brennan, Craig Bennett, Phil Vines, Gary Wight, Peter Brereton & Andrea Thompson.





# Key Metrics

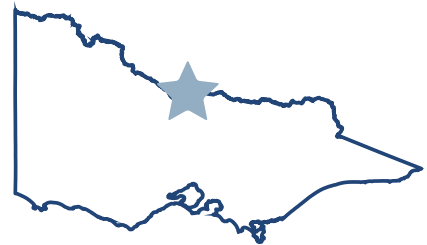
## Milk Volumes Produced

**Western Region:**

131.3 million litres of milk  
(128.2 million in FY21)

**Eastern Region:**

61.7m million litres of milk  
(57.4m in FY21)

**Northern Region:**

92.1 million litres of milk  
(100.7 million in FY21)

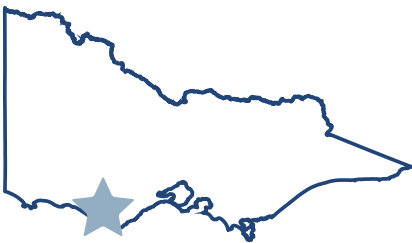
**Total Volume:**

285.1 million litres of milk  
(286.3 million in FY21)

**Total Milk Solids**

21.7 million KGs  
(21.8 million in FY21)

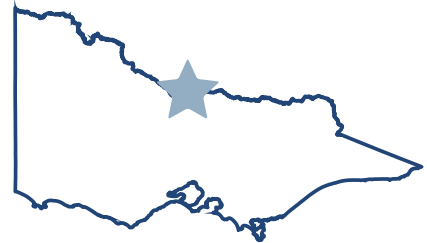
## Number of Farm Supplier Shareholders at 30th June 2022

**Western Region:**

57 farm supplier shareholders  
(57 at 30th June 2021)

**Eastern Region:**

25 farm supplier shareholders  
(18 at 30th June 2021)

**Northern Region:**

54 farm supplier shareholders  
(64 at 30th June 2021)

**Total:**

136 farm supplier shareholders  
(139 at 30th June 2021)

**Number of staff: 4**

(3 in FY21)

**Number of Directors: 4**

(5 in FY21)

**Staff & Director Related Costs:**

\$/KG MS: \$0.046  
(\$0.039 in FY21)

**Total Non-Production Overhead Costs:**

\$/KG MS: \$0.077  
(\$0.060 in FY21)



# Directors' Report

The Directors of Australian Dairy Farmers Corporation Ltd (ADFC) present their report together with the financial statements of the Consolidated Entity, being Australian Dairy Farmers Corporation Ltd (the Company) and its' controlled entity (the Group) for the year ended 30 June 2022 and the independent Audit Report thereon.

## Directors

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

- Peter Mulheron - Chairman
- Jade Sieben – Vice Chair (appointed 25 November 2021)
- Douglas Hanks (appointed 1 December 2021)
- Rod Slattery
- Scott Sieben (resigned 25 November 2021)
- Gerald Droppert (resigned 1 December 2021)
- Darin Blain (resigned 25 November 2021)

*See pages 6 for the biographies of the current board members.*

## Principal Activities

ADFC is an unlisted public company that 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

Profit from continuing operations before income tax was \$364,838 (2021: \$398,842) and after income tax was \$255,102 (2021: \$279,025).

Revenue for the year has increased by 16% from \$150,769,350 to \$174,625,715 driven by ADFC obtaining higher prices from new and existing customers.

This increased pricing was broadly reflected through-out the market in Australia and is largely driven by reduced volumes of milk being produced in the country.

## Significant Changes in State of Affairs

There are no matters or circumstances that have arisen during the year that led to a significant change in the state of affairs.

## Dividends

There were no dividends paid or declared for the year ended 30 June 2022 (2021: nil).

## Subsequent Events

There are no subsequent events to report.

## 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 additional new customers.





# Directors' Report Continued

## Un-issued Shares or Issued Shares Under Option

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

## 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.

## Company Secretaries

Ron Page and Paul Casey remain as the Company Secretaries as at the date of this report.

## 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.

## Meetings of Directors

	Board Meetings	
	A	B
Peter Mulheron	5	5
Jade Sieben	3	3
Douglas Hanks	3	3
Rod Slattery	4	5
Scott Sieben	2	2
Gerald Droppert	2	2
Darin Blain	2	2

Column A – The number of meetings attended. | Column B – Indicates the number of meetings the Directors were eligible to attend.



# Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2022 is included on page 12 and forms part of the Directors' Report. This report is signed in accordance with a resolution of the Directors.

*Peter Mulheron*  
Chairman  
Melbourne, 29th September 2022

*Rod Slattery*  
Director





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 Melbourne VIC 3001  
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## 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 2022, 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 Audit Pty Ltd  
 Chartered Accountants

A J Pititto  
 Partner – Audit & Assurance

Melbourne, 29 September 2022

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 ACN-130 913 594

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# Corporate Governance

## *The Board of Directors*

### Board Composition

The board comprises 4 directors: 3 farmer directors and 1 non-supplier director. The chairman is elected by the board in the first board meeting following the AGM. Directors are generally subject to re-election every three 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 formal basis every two months and in camera three to four times a year. 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 all the directors appointed by the board and is chaired by a director who is not the chairman of the board.

### Composition

The committee currently comprises:

Jade Sieben  
Douglas Hanks  
Rod Slattery  
Peter Mulheron

The Committee did not meet separately during the year but met as part of the board.





# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022	Note	2022	2021
		\$	\$
Sales revenue		174,625,715	150,769,350
Other income	2	8,079	16,946
<b>Total revenues</b>		<b>174,633,794</b>	<b>150,786,296</b>
Cost of materials		(172,360,867)	(148,895,710)
General expenses	2	(799,919)	(574,511)
Finance expenses		(74,928)	(35,958)
Employee benefits expenses	2	(983,183)	(847,891)
Motor vehicle expenses		(25,299)	(17,060)
Depreciation and amortisation expenses		(24,760)	(16,324)
<b>Total expenses</b>		<b>(174,268,956)</b>	<b>(150,387,454)</b>
<b>Profit from continuing operations before income tax</b>		<b>364,838</b>	<b>398,842</b>
Income tax expense	3	(109,736)	(119,817)
<b>Profit from continuing operations after income tax</b>		<b>255,102</b>	<b>279,025</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year attributable to members of the Group</b>		<b>255,102</b>	<b>279,025</b>

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



# Consolidated Statement of Financial Position

As at 30 June 2022	Note	2022 \$	2021 \$
<b>Current assets</b>			
Cash and cash equivalents	4	5,174,702	1,936,685
Trade and other receivables	5	13,975,096	14,122,106
Income Tax Receivable	3	53,688	-
Other assets	6	281,274	67,924
<b>Total current assets</b>		<b>19,484,760</b>	<b>16,126,715</b>
<b>Non-current assets</b>			
Intangible assets	7	11,561	21,561
Plant & equipment	8	69,298	3,392
Deferred tax asset	9	41,489	52,237
<b>Total non-current assets</b>		<b>122,348</b>	<b>77,190</b>
<b>Total assets</b>		<b>19,607,108</b>	<b>16,203,905</b>
<b>Current liabilities</b>			
Trade and other payables	10	16,822,692	13,541,117
Provisions	11	93,372	82,458
Income tax payable	3	-	107,900
<b>Total current liabilities</b>		<b>16,916,064</b>	<b>13,731,475</b>
<b>Total liabilities</b>		<b>16,916,064</b>	<b>13,731,475</b>
<b>Net assets</b>		<b>2,691,044</b>	<b>2,472,430</b>
<b>Equity</b>			
Share capital	19	504,653	541,141
Retained earnings		2,186,391	1,931,289
<b>Total equity</b>		<b>2,691,044</b>	<b>2,472,430</b>

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



# Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	Note	Share capital	Retained earnings/	Total
		\$	\$	\$
<b>Balance at 30 June 2020</b>		601,101	1,652,264	2,253,365
Profit for the year		-	279,025	279,025
Other comprehensive income		-	-	-
Total comprehensive income		-	279,025	279,025
Issue of redeemable preference shares	19	155,000	-	(155,000)
Redemption of redeemable preference shares	19	(190,000)	-	(190,000)
Share issue costs (net of tax benefit)	19	(24,960)	-	(24,960)
<b>Balance at 30 June 2021</b>		541,141	1,931,289	2,472,430
Profit for the year		-	255,102	255,102
Other comprehensive income		-	-	-
Total comprehensive income/(loss)		-	255,102	255,102
Issue of redeemable preference shares	19	145,000	-	145,000
Redemption of redeemable preference shares	19	(160,000)	-	(160,000)
Share issue costs (net of tax benefit)	19	(21,488)	-	(21,488)
<b>Balance at 30 June 2022</b>		504,653	2,186,391	2,691,044

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



# Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022 \$	2021 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		174,559,378	157,667,450
Payments to suppliers and employees		(170,951,710)	(158,291,596)
Interest & Other Income received		8,079	16,946
Income tax paid		(251,367)	(118,272)
<b>Net cash from operating activities</b>	18	<b>3,364,380</b>	<b>(725,472)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment		(80,666)	(1,513)
<b>Net cash used in investing activities</b>		<b>(80,666)</b>	<b>(1,513)</b>
<b>Cash flows from financing activities</b>			
Receipts from issue of redeemable preference shares		145,000	155,000
Payments from redemption of redeemable preference shares		(160,000)	(190,000)
Payments for share issue costs		(30,697)	(31,299)
<b>Net cash from/ (used in) financing activities</b>		<b>(45,697)</b>	<b>(66,299)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Net (decrease)/increase in cash and cash equivalents for the year		3,238,017	(793,284)
Cash and cash equivalents at the beginning of the financial year		1,936,685	2,729,969
<b>Cash and cash equivalents at the end of the year</b>	4	<b>5,174,702</b>	<b>1,936,685</b>

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





# Notes to the Consolidated 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 and is the groups ultimate parent.

### **(a) Basis of preparation**

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

The consolidated financial statements for the year ended 30 June 2022 were approved and authorised for issue by the Board of Directors on 29 September 2022.

These consolidated 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) Basis of consolidation**

The Group financial statements consolidate those of the Parent Company and its subsidiary as of 30 June 2022. The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The subsidiary has a reporting date of 30 June 2022.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

### **(c) Going concern basis of accounting**

These consolidated financial statements have been prepared on the going concern basis which assumes that the Group will be able to pay all liabilities as they fall due.

### **(d) 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.

### **(e) 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 15 days.

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

### **(f) 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.

One trademark was established and registered during FY18. This was capitalised during that financial year and is recognised on the basis of the costs incurred to establish and is not being amortised. Its value will be re-measured on an annual basis to determine if impairment has occurred.

All computer software license 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:



# Notes to the Consolidated Financial Statements

## *Note 1: Summary of Significant Accounting Policies (cont.)*

### **(f) Intangible assets (cont'd.)**

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.

### **(g) Trade and other payables**

Trade creditors and accruals typically represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 15 days of recognition.

### **(h) Foreign currency translation**

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

### **(i) 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 Group'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 at a point in time 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 income**

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

No element of financing is deemed present as the sales are made with a credit term of 30 – 60 days, which is consistent with market practice.

### **(j) Members' share capital**

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

### **(k) Goods and services tax**

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.

### **(l) 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.



# Notes to the Consolidated Financial Statements

## *Note 1: Summary of Significant Accounting Policies (cont.)*

### (l) Income tax (cont'd.)

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 Group'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.

### (m) 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.

#### **Other long-term employee benefits**

The Group 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.

### (n) Financial instruments

#### **Financial assets**

The Group's financial assets comprise loans and receivables and cash and cash equivalents. Such loans and receivables are non-derivatives with fixed or determinable payments that are not quoted in an active market. They are initially recognized at fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

Interest income from these financial assets are recognised using the effective interest rate method. The Group assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. The difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group does not hold any equity instruments or classify any financial assets into either the fair value through other comprehensive income, or fair value through profit or loss measurement categories.

#### **Financial liabilities**

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value.

Subsequently, financial liabilities are measured at amortised cost.



## Notes to the Consolidated Financial Statements

### *Note 1: Summary of Significant Accounting Policies (cont.)*

#### **(o) 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.

#### **(p) Changes in new accounting policies**

##### **New or amended Accounting Standards and Interpretations adopted**

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.





## Notes to the Consolidated Financial Statements

	2022	2021
<i>Note 2: Revenue and Expenses</i>	\$	\$
<b>Other income</b>		
Interest income	8,079	16,946
	<b>8,079</b>	<b>16,946</b>
<b>Expenses</b>		
General expenses		
Accounting and bookkeeping fees	56,754	58,593
Advertising and marketing	86,272	19,120
Legal fees	12,450	13,269
Software expenses	78,218	84,403
Rent and outgoings	31,580	31,645
Milk Sample testing services	130,084	125,283
Insurance expenses	175,680	127,701
Other expenses	228,881	114,497
Total general expenses	<b>799,919</b>	<b>574,511</b>
Employee benefits expenses		
Wages, salaries	652,185	505,105
Superannuation	78,761	65,337
Directors' fees	202,980	222,649
Other	49,257	54,800
Total employee benefits expenses	<b>983,183</b>	<b>847,891</b>

### *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% (2021: 30%) and the reported tax expense in profit or loss are as follows:

<b>Profit from ordinary activities before tax</b>	<b>364,838</b>	<b>398,842</b>
Prima facie tax expense on the profit from ordinary activities calculated at:		
30%	109,451	119,653
Other	285	164
Income tax expense	<b>109,736</b>	<b>119,817</b>
<b>Tax expense comprises:</b>		
• Current tax expense	89,779	120,900
• Deferred Tax Expense	19,957	(1,083)
Income tax expense	<b>109,736</b>	<b>119,817</b>
<b>Income tax (receivable) payable comprises:</b>		
Income tax payable in relation to current year (refundable)	(53,688)	107,900
Income tax payable (refundable)	<b>(53,688)</b>	<b>107,900</b>



## Notes to the Consolidated Financial Statements

	2022	2021
	\$	\$
<i><b>Note 4: Cash and Cash Equivalents</b></i>		
Cash at bank	5,174,702	1,936,685
<i><b>Note 5: Trade and Other Receivables</b></i>		
Trade receivables	13,970,460	13,272,268
Other receivables	4,636	849,838
Total trade and other receivables	13,975,096	14,122,106
<i><b>Note 6: Other Assets</b></i>		
Prepayments	66,064	52,987
GST Receivable	215,210	14,937
Total other assets	281,274	67,924
<i><b>Note 7: Intangible Assets</b></i>		
<b>Computer software license at cost</b>		
Balance at beginning of year	10,000	23,473
Additions during the year	-	-
(Less) amortisation expense	(10,000)	(13,473)
Balance at end of the year	-	10,000
<b>Trademarks at cost</b>		
Balance at beginning of year	11,561	11,561
Additions during the year	-	-
(Less) amortisation expense	-	-
Balance at end of the year	11,561	11,561
<b>Total Intangible Assets</b>	11,561	21,561
<i><b>Note 8: Plant &amp; Equipment</b></i>		
<b>Computers at carrying value</b>		
Balance at beginning of year	3,392	4,731
Additions during the year	80,666	1,512
(Less) depreciation expense	(14,760)	(2,851)
Balance at end of the year	69,298	3,392



## Notes to the Consolidated Financial Statements

### *Note 9: Deferred Tax Liabilities / Assets*

	1 July 2021	Recognised in profit or loss	Recognised directly in equity	30 June 2022
	\$	\$	\$	\$
<b>Deferred Tax Liabilities</b>				
Plant and equipment	-	(20,461)	-	(20,461)
Section 40-880 deductions	16,272	(7,799)	9,209	17,682
Section 25-25 deductions	279	(140)	-	139
FBI installment – June 2022	(611)	(1,639)	-	(2,250)
<b>Deferred Tax Assets</b>				
Annual and LSL Payable	24,738	3,274	-	28,012
Accrued expenses	11,559	6,808	-	18,362
	52,237	(19,957)	9,209	41,489

	1 July 2020	Recognised in profit or loss	Recognised directly in equity	30 June 2021
	\$	\$	\$	\$
<b>Deferred Tax Liabilities</b>				
Section 40-880 deductions	23,474	(20,461)	6,339	16,272
Section 25-25 deductions	419	(7,799)	-	279
FBI installment – June 2021	(554)	(140)	-	(611)
<b>Deferred Tax Assets</b>				
Creditors	(6,123)	6,123	-	-
Annual and LSL Payable	15,569	9,169	-	24,738
Accrued expenses	12,030	(471)	-	11,559
	44,815	1,083	6,339	52,237

### *Note 10: Trade And Other Payables*

	2022	2021
	\$	\$
<b>Current</b>		
Trade creditors	16,666,185	13,473,127
Accrued expenses	122,525	46,054
Other current liabilities	33,982	21,936
Total trade and other payables	16,822,692	13,541,117



## Notes to the Consolidated Financial Statements

### *Note 11: Provisions*

	2022 \$	2021 \$
<b>Current</b>		
Annual Leave	65,915	60,814
Long Service Leave	27,457	21,644
<b>Total provisions</b>	<b>93,372</b>	<b>82,458</b>

Provision for annual leave represents the Group's obligations to its current employees that are expected to be settled in the 2023 financial year.

### *Note 12: Financial Assets and Liabilities*

Note 1(n) 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:

	2022 Financial assets at amortised cost \$	2022 Total \$	2021 Financial assets at amortised cost \$	2021 Total \$
<b>Financial assets</b>				
Cash and cash equivalents	5,174,702	5,174,702	1,936,685	1,936,685
Trade and other receivables	13,975,096	13,975,096	14,122,106	14,122,106
	<b>19,149,798</b>	<b>19,149,798</b>	16,058,791	16,058,791

	Other liabilities at amortised cost \$	Total \$	Other liabilities at amortised cost \$	Total \$
<b>Financial liabilities</b>				
Trade and other payables	16,822,692	16,822,692	13,541,117	13,541,117
	<b>16,822,692</b>	<b>16,822,692</b>	13,541,117	13,541,117





## Notes to the Consolidated Financial Statements

### *Note 12: Financial Assets And Liabilities (Continued)*

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: Capital Commitments*

The Group has no capital commitments for expenditures as at 30 June 2022 (2021: nil).

### *Note 14: Contingent Liabilities and Contingent Assets*

The Group does not have any contingent liabilities or contingent assets as at 30 June 2022 (2021: nil).

### *Note 15: Auditor's Remuneration*

	2022	2021
	\$	\$
<b>Audit services – Grant Thornton</b>		
Remuneration for audit or review of annual & half yearly financial statements	49,900	49,150
<b>Other services – Grant Thornton</b>		
Investigating accountant	9,500	9,500
Taxation services	8,750	7,500
Total other services remuneration	18,250	17,000
Total auditor's remuneration	68,150	66,150

### *Note 16: Key Management Personnel Disclosures*

**(a) Directors** The Directors of the Group during the year and up to the date of the Directors' Report were:

Peter Mulheron (Chairman), Jade Sieben (Vice-Chair), Douglas Hanks, Rod Slattery, Scott Sieben, Gerald Droppert & Darin Blain.

**(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 Group.

**(c) Key management personnel compensation**

Short-term employment benefits	202,980	222,649
Post-employment benefits (superannuation)	16,267	17,351
Total key management personnel compensation	219,247	240,000

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

### *Note 17: Related Party Transactions*

There is no outstanding payable/receivable from related parties as at 30 June 2022 (2021: nil).



## Notes to the Consolidated Financial Statements

	2022	2021
<i>Note 18: Cash Flow Reconciliation</i>	\$	\$
Profit/(loss) attributable to members	255,102	279,025
<b>Non-cash items in operating profit</b>		
Depreciation and amortisation	24,760	16,324
<b>Movement in assets and liabilities</b>		
Decrease/(increase) in trade and other receivables	147,012	6,924,978
(Increase)/decrease in other assets	(213,349)	(20,537)
(Increase)/decrease in deferred tax assets	10,748	(7,422)
Increase/(decrease) in trade and other payables	3,290,781	(7,951,216)
Increase/(decrease) in provisions	10,914	30,561
Increase/(decrease) in income tax payable	(161,588)	2,815
Net cash (used in)/from operating activities	3,364,380	(725,472)

### Note 19: Share Capital

#### Ordinary & Redeemable Preference shares

Ordinary and redeemable preference 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.

#### Capital management

The Group'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 Group 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 Group.

	2022 No. of Shares	2021 No. of Shares	2022 \$	2021 \$
Opening balance – shares of \$1 each (fully paid)	172	172	172	172
Redeemable preference share issues – shares of \$1 each (fully & partly paid)	680,000	695,000	680,000	695,000
Share issue costs (net of tax benefit)	-	-	(175,519)	(154,034)
Closing Balance	680,172	695,172	504,653	541,138

In accordance with the Group's constitution, ordinary and redeemable preference shares were issued during the year. The redemption of preference shares and payment of dividends are at the discretion of the Board.



## Notes to the Consolidated Financial Statements

### *Note 20: Composition of the Group*

Set out below details of the subsidiaries held directly by the Group:

Name of the subsidiary	Country of incorporation and principal place of business	Principal activity	Proportion of ownership interests held by the Group	
			30 June 2022	30 June 2021
ADFC Nominees Pty Ltd	Australia. Suite 222a, 757 Bourke Street, Docklands, Victoria, 3008	Trustee for dry ordinary share class of shares for group	100%	100%

### **Significant judgements and assumptions**

The Group holds 100% of the ordinary shares and voting rights in ADFC Nominees Pty Ltd. The Group has appointed five (4) of ADFC Nominees Pty Ltd.'s Board of Directors out of a total of five (4). ADFC Nominees Pty Ltd was incorporated on the 6th October 2017.

### *Note 21: Financial Instrument Risk*

The Group is exposed to various risks in relation to financial instruments. The Group's financial assets and liabilities by category are summarised in Note 12. The main type of risk is credit risk.

The Group's risk management is coordinated at its headquarters, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risk to which the Group is exposed is described below.

### **Credit Risk**

Credit risk is the risk that a counter party fails to discharge an obligation to the Group. The Group is exposed to this risk for one financial instrument, the granting of credit to trade debtors. The Groups maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date as detailed in Note 12 above. The Group continuously monitors trade receivables and there were none overdue at the reporting date, or were none overdue through-out the reporting period.



## Notes to the Consolidated Financial Statements

### *Note 22: Parent Entity Information*

Information relating to Australian Dairy Farmers Corporation Ltd (the Parent Entity)

	2022 \$'000	2021 \$'000
<b>Statement of financial position</b>		
Current assets	19,484,760	16,126,715
Total assets	19,607,108	16,203,905
Current liabilities	16,916,064	13,731,475
Total liabilities	16,916,064	13,731,475
Net assets	2,691,044	2,472,430
Issued capital	504,653	541,141
Retained earnings	2,186,391	1,931,289
Total equity	2,691,044	2,472,430
<b>Statement of profit or loss and other comprehensive income</b>		
Profit for the year	255,102	279,025
Other comprehensive income	-	-
Total comprehensive income	255,102	279,025

The Parent Entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

### *Note 23: Economic Dependence*

The Group is dependent upon a small number of customer agreements. At the date of this report supply for FY23 has already commenced under agreed pricing and volume terms with all existing customers.

### *Note 24: Events After The Reporting Period*

In March 2020, the World Health Organisation declared the outbreak of a novel Coronavirus (COVID-19) as a pandemic. The spread of COVID-19 has caused significant volatility in the Australian and international markets. The COVID-19 outbreak has not materially impacted the Company's trading results in FY22. The Company does not expect any major repercussions from the COVID-19 pandemic in the coming year as demand for dairy products remains steady in Australia and is not expected to decline.

There are no events after the reporting period.

### *Note 25: Financing Facility*

The Group now has access to a \$4m debtors finance facility. this facility is for use for very short-term funding requirements, when required. The facility is secured against the trade debtors of the company.

### *Note 26: Group 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 and Group, as set out on pages 9 to 29, are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date.
  - (ii) complying with Australian Accounting Standards (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 and Group 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.

*Peter Mulheron*  
Chairman  
Melbourne, 29th September 2022

*Rod Slattery*  
Director



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## Independent Auditor's Report

### To the Members of Australian Dairy Farmers Corporation Ltd

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Australian Dairy Farmers Corporation Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors' 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 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.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd  
Chartered Accountants

A J Pititto  
Partner – Audit & Assurance  
Melbourne, 29 September 2022



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