



ANNUAL REPORT

Australian Dairy Farmers Corporation



FINANCIAL YEAR 2022 - 2023



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Corporate Directory

Australian Dairy Farmers Corporation Limited

ACN 610 590 200

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T: +61 3 9909 2208

E: info@adfc.com.au

W: adfc.com.au

Registered office

Suite 204, 757 Bourke Street, Docklands Victoria 3008

T: +61 3 9909 2208

W: adfc.com.au

Principal place of business

Suite 204, 757 Bourke Street, Docklands Victoria 3008

T: +61 3 9909 2208

Bank

National Australia Banking Group

Chairman

Peter Mulheron

Directors

Jade Sieben

Ben Croatto

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 Eastern Victoria, for FY24, 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.





Chairman's Report

Season 2022/23 has again highlighted the adaptability of ADFC to continue to be able to find our place in the challenging dairy industry.

In a season with record opening prices, ADFC were not only able to hold our milk volume but slightly increase volume on the previous season. A closing price of \$10.05, returned 99% of ADFC's earning to our farmers, while adhering to the ADFC principals of all suppliers to be treated equally. Opening price for the current season of \$9.60 was higher than industry expectations, but continued suppressed powder prices is seeing demand for spring milk not to be as strong as in the past.

Andrew is continuing to work with our customers to achieve the best outcome for our farmers and all indications are that the demand for autumn milk will be high. I would like to thank ADFC's loyal farmers for continuing to support us in what we are aiming to achieve for the dairy industry, some of whom would have been offered incentives to leave us. For the dairy industry to have a future it needs to find a place for all people in the industry who have a passion to be involved. At ADFC we hope we can provide an opportunity to support all our farmers equally, as we make our way in this volatile industry.





Chairmans Report

I would like to take this opportunity to congratulate Andrew, Paul, Ron, and Wendy for their continued hard work for ADFC and our farmers. With such a small team, the support they provide for each other, and our farmers gives ADFC that feeling of belonging to the ADFC family.

ADFC welcomed Ben Croatto to the board as the representative of the Eastern region, along with Jade Sieben (Northern region) and Rod Slattery (Independent). They have provided great support for me in my role as chairman. To Trish and James for their willingness to shoulder the extra load on the farm to allow me the time to dedicate to ADFC.

Finally, to quote myself from last year's annual report, and it is something I truly believe, that with 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 also been the part president of the North-West Sub-branch and had been the secretary for the past 7 years.



Ben Croatto

Director | Joined November 2022

Ben joined the ADF Board in November 2022 as the representative of the Eastern Supply Region. He has been a dairy farmer since 2005 and has built the farm up since then, currently milking 270 cows. Prior to that Ben worked in various roles in different companies within the industry including as a field services officer and a regional manager. He has a Bachelor's degree and Diploma in Agricultural Sciences from Melbourne University, focusing on international trade, plant & animal biology, chemistry and thermophilic bacteria in milk. Ben is also active in discussion groups and has participated in focus farms.



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
Financial Controller & 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

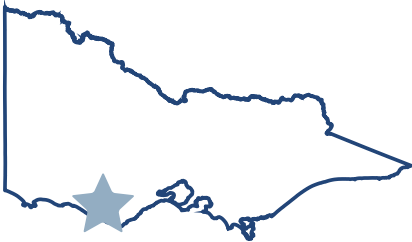
The ADFC Board Advisory Committee members are ADFC shareholders from south west, east and northern Victoria. The committee is a great resource for the ADFC Board. The members provide valuable feedback and offer advice regarding board-level decisions.

During the 2022-23 financial year, the following people generously offered their time to serve on the committee: Alana Brennan, Phil Vines, Gary Wight, Peter Brereton, Wayne Roberts, Tim Cashin & Tim MacKinnon.



Key Metrics

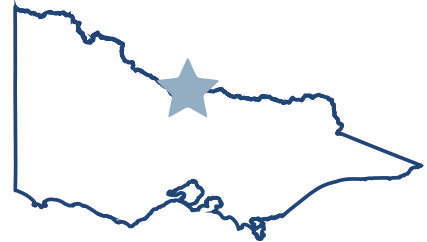
Milk Volumes Produced

**Western Region:**

122.5 million litres of milk
(121.3 million in FY22)

**Eastern Region:**

86.5m million litres of milk
(61.7m in FY22)

**Northern Region:**

86.0 million litres of milk
(92.1 million in FY22)

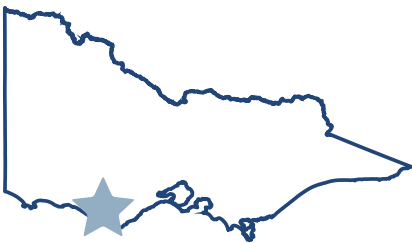
**Total Volume:**

295.0 million litres of milk
(285.1 million in FY22)

Total Milk Solids

22.5 million KGs
(21.7 million in FY22)

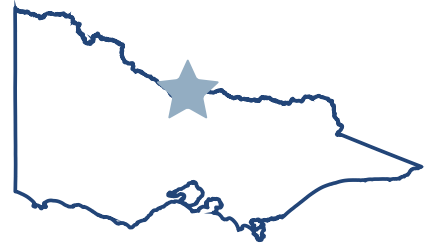
Number of Farm Supplier Shareholders at 30th June 2023

**Western Region:**

56 farm supplier shareholders
(57 at 30th June 2022)

**Eastern Region:**

40 farm supplier shareholders
(25 at 30th June 2022)

**Northern Region:**

58 farm supplier shareholders
(54 at 30th June 2022)

**Total:**

154 farm supplier shareholders
(136 at 30th June 2022)



Number of staff: 4
(4 in FY22)



Number of Directors: 4
(4 in FY22)

**Staff & Director Related Costs:**

\$/KG MS: \$0.048
(\$0.046 in FY22)

**Total Non-Production Overhead Costs:**

\$/KG MS: \$0.082
(\$0.077 in FY22)



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 2023 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
- Ben Croatto (appointed 22 November 2022)
- Rod Slattery
- Douglas Hanks (resigned 15 October 2022)

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 \$446,968 (2022: \$364,838) and after income tax was \$308,144 (2022: \$255,102).

Revenue for the year has increased by 35% from \$174,625,715 to \$236,322,747 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 2023 (2022: 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

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

	Board Meetings	
	A	B
Peter Mulheron	8	8
Jade Sieben	8	8
Ben Croatto	5	5
Rod Slattery	7	8
Douglas Hanks	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 2023 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, 26th September 2023

Rod Slattery
Director



Grant Thornton Audit Pty Ltd
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 Collins Square
 727 Collins Street
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 Melbourne VIC 3001
 T +61 3 8320 2222

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 2023, 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, 26 September 2023

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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 one to 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 (Chair)

Ben Croatto

Rod Slattery

Peter Mulheron

The Committee met 4 times during the year.



Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023	Note	2023	2022
		\$	\$
Sales revenue		236,322,747	174,625,715
Other income	2	52,106	8,079
Total revenues		236,374,853	174,633,794
Cost of materials		(233,696,990)	(172,360,867)
General expenses	2	(1,044,105)	(799,919)
Finance expenses		(74,928)	(74,928)
Employee benefits expenses	2	(1,046,984)	(983,183)
Motor vehicle expenses		(30,094)	(25,299)
Depreciation and amortisation expenses		(35,677)	(24,760)
Total expenses		(235,927,885)	(174,268,956)
Profit from continuing operations before income tax		446,968	364,838
Income tax expense	3	(138,824)	(109,736)
Profit from continuing operations after income tax		308,144	255,102
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members of the Group		308,144	255,102

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 2023	Note	2023 \$	2022 \$
Current assets			
Cash and cash equivalents	4	3,228,801	5,174,702
Trade and other receivables	5	19,560,351	13,975,096
Income Tax Receivable	3	12,924	53,688
Other assets	6	153,075	281,274
Total current assets		22,955,151	19,484,760
Non-current assets			
Intangible assets	7	16,236	11,561
Plant & equipment	8	136,612	69,298
Deferred tax asset	9	47,781	41,489
Total non-current assets		200,629	122,348
Total assets		23,155,780	19,607,108
Current liabilities			
Trade and other payables	10	19,974,780	16,822,692
Provisions	11	114,466	93,372
Total current liabilities		20,089,246	16,916,064
Total liabilities		20,089,246	16,916,064
Net assets		3,066,534	2,691,044
Equity			
Share capital	19	571,999	504,653
Retained earnings		2,494,535	2,186,391
Total equity		3,066,534	2,691,044

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 2023

	Note	Share capital	Retained earnings/	Total
		\$	\$	\$
Balance at 30 June 2021		541,141	1,931,289	2,472,430
Profit for the year		-	255,102	255,102
Other comprehensive income		-	-	-
Total comprehensive income		-	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)
Balance at 30 June 2022		504,653	2,186,391	2,691,044
Profit for the year		-	308,144	308,144
Other comprehensive income		-	-	-
Total comprehensive income/(loss)		-	308,144	308,144
Issue of redeemable preference shares	19	190,000	-	190,000
Redemption of redeemable preference shares	19	(100,000)	-	(100,000)
Share issue costs (net of tax benefit)	19	(22,654)	-	(22,654)
Balance at 30 June 2023		571,999	2,494,535	3,066,534

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 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		230,865,689	174,559,378
Payments to suppliers and employees		(232,717,633)	(170,951,710)
Interest & Other Income received		52,106	8,079
Income tax paid		(94,644)	(251,367)
Net cash from operating activities	18	(1,894,482)	(3,364,380)
Cash flows from investing activities			
Purchase of plant & equipment		(88,368)	(80,666)
Purchase of intangible assets		(20,692)	-
Net cash used in investing activities		(109,060)	(80,666)
Cash flows from financing activities			
Receipts from issue of redeemable preference shares		190,000	145,000
Payments from redemption of redeemable preference shares		(100,000)	(160,000)
Payments for share issue costs		(32,359)	(30,697)
Net cash from/ (used in) financing activities		57,641	(45,697)
Net (decrease)/increase in cash and cash equivalents			
Net (decrease)/increase in cash and cash equivalents for the year		(1,945,901)	3,238,017
Cash and cash equivalents at the beginning of the financial year		5,174,702	1,936,685
Cash and cash equivalents at the end of the year	4	3,228,801	5,174,702

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' simplified disclosure 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 2023 were approved and authorised for issue by the Board of Directors on 26 September 2023.

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 2023. 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 2023.

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 collectability 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 FY23. This was capitalised during that financial year and is recognised on the basis of the costs incurred to establish and is not being amortised.

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: 3 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:

- (1) Identifying the contract with a customer;
- (2) Identifying the performance obligations;
- (3) Determining the transaction price;
- (4) Allocating the transaction price to the performance obligations; and
- (5) Recognising revenue when performance obligations are satisfied

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.



Notes to the Consolidated Financial Statements

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

(l) Income tax (cont'd.)

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 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

	2023	2022
<i>Note 2: Revenue and Expenses</i>	\$	\$
Other income	52,106	8,079
Interest income	52,106	8,079
Expenses		
General expenses		
Accounting and bookkeeping fees	60,349	56,754
Advertising and marketing	106,833	86,272
Legal fees	22,830	12,450
Software expenses	114,440	78,218
Rent and outgoings	39,073	31,580
Milk Sample testing services	161,781	130,084
Milk Sample Collection	41,889	38,559
Consultants Fees	88,566	41,200
Insurance expenses	224,039	175,680
Other expenses	184,205	149,122
Total general expenses	1,044,105	799,919
Employee benefits expenses		
Wages, salaries	712,996	652,185
Superannuation	90,200	78,761
Directors' fees	182,910	202,980
Other	60,878	49,257
Total employee benefits expenses	1,046,984	983,183

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% (2022: 30%) and the reported tax expense in profit or loss are as follows:

Profit from ordinary activities before tax	446,968	364,838
Prima facie tax expense on the profit from ordinary activities calculated at:		
30%	134,090	109,451
Other	4,734	258
Income tax expense	138,824	109,736
Tax expense comprises:		
• Current tax expense	135,408	89,779
• Deferred Tax Expense	3,416	19,957
Income tax expense	138,824	109,736
Income tax (receivable) payable comprises:		
Income tax payable in relation to current year (refundable)	(12,924)	(53,688)
Income tax payable (refundable)	(12,924)	(53,688)



Notes to the Consolidated Financial Statements

	2023	2022
	\$	\$
<i>Note 4: Cash and Cash Equivalents</i>		
Cash at bank	3,228,801	5,174,702
<i>Note 5: Trade and Other Receivables</i>		
Trade receivables	19,547,336	13,970,460
Other receivables	13,015	4,636
Total trade and other receivables	19,560,351	13,975,096
<i>Note 6: Other Assets</i>		
Prepayments	100,938	66,064
GST Receivable	52,137	215,210
Total other assets	153,075	281,274
<i>Note 7: Intangible Assets</i>		
Computer software license at cost		
Balance at beginning of year	-	10,000
Additions during the year	18,000	-
(Less) amortisation expense	(4,455)	(10,000)
Balance at end of the year	13,545	-
Trademarks at cost		
Balance at beginning of year	11,561	11,561
Additions during the year	2,691	-
(Less) amortisation expense	(11,561)	-
Balance at end of the year	2,691	11,561
Total Intangible Assets	16,236	11,561
<i>Note 8: Plant & Equipment</i>		
Computers at carrying value		
Balance at beginning of year	69,298	3,392
Additions during the year	125,912	80,666
(Less) disposals during the year	(27,373)	-
(Less) depreciation expense	(31,226)	(14,760)
Balance at end of the year	136,612	69,298



Notes to the Consolidated Financial Statements

Note 9: Deferred Tax Liabilities / Assets

	1 July 2022	Recognised in profit or loss	Recognised directly in equity	30 June 2023
	\$	\$	\$	\$
Deferred Tax Liabilities				
Plant and equipment	(20,461)	(19,279)	-	(39,740)
FBT instalment	(2,250)	-	-	(2,250)
Deferred Tax Assets				
Annual and LSL Payable	17,682	(9,529)	9,708	17,861
Section 40-880 deductions	139	(139)	-	-
Section 25-25 Deductions	28,012	6,328	-	34,340
Annual and LSL Payable	18,367	19,203	-	37,570
Accrued expenses and Superannuations	41,489	(3,416)	9,708	47,781

	1 July 2021	Recognised in profit or loss	Recognised directly in equity	30 June 2022
	\$	\$	\$	\$
Deferred Tax Liabilities				
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	(611)	(1,639)	-	(2,250)
Deferred Tax Assets				
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

Note 10: Trade And Other Payables

	2023	2022
	\$	\$
Current		
Trade creditors	19,808,215	16,666,185
Accrued expenses	124,095	122,525
Other current liabilities	42,470	33,982
Total trade and other payables	19,974,780	16,822,692



Notes to the Consolidated Financial Statements

Note 11: Provisions

	2023	2022
	\$	\$
Current		
Annual Leave	74,256	65,915
Long Service Leave	40,210	27,457
Total provisions	114,466	93,372

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:

	2023	2023	2022	2022
	Financial assets at amortised cost	Total	Financial assets at amortised cost	Total
	\$	\$	\$	\$
Financial assets				
Cash and cash equivalents	3,228,801	3,228,801	5,174,702	5,174,702
Trade and other receivables	19,560,351	19,560,351	13,975,096	13,975,096
	22,789,152	22,789,152	19,149,798	19,149,798

	Other liabilities at amortised cost	Total	Other liabilities at amortised cost	Total
	\$	\$	\$	\$
Financial liabilities				
Trade and other payables	19,974,780	19,974,780	16,822,692	16,822,692
	19,974,780	19,974,780	16,822,692	16,822,692



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 2023 (2022: nil).

Note 14: Contingent Liabilities and Contingent Assets

The Group does not have any contingent liabilities or contingent assets as at 30 June 2023 (2022: nil).

Note 15: Auditor's Remuneration

	2023	2022
	\$	\$
Audit services – Grant Thornton		
Remuneration for audit or review of annual & half yearly financial statements	54,320	49,900
Other services – Grant Thornton		
• Investigating accountant	9,500	9,500
• Taxation services	9,500	8,750
Total other services remuneration	19,000	18,250
Total auditor's remuneration	73,320	68,150

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), Ben Croatto, Rod Slattery and Douglas Hanks.

(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	607,863	621,577
Post-employment benefits (superannuation)	59,625	58,887
Total key management personnel compensation	667,488	680,464

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

Note 17: Related Party Transactions

ADFC Shareholders, including its three farm supplier board members, supplied milk to the value of \$233.7m to the company during the year (2022: \$172.4m). Amounts owing at 30 June 2023 total \$19.8m for June 2023 milk supply (2022: \$16.3m).



Notes to the Consolidated Financial Statements

	2023	2022
<i>Note 18: Cash Flow Reconciliation</i>	\$	\$
Profit/(loss) attributable to members	308,144	255,102
Non-cash items in operating profit		
Depreciation and amortisation	35,677	24,760
Movement in assets and liabilities		
Decrease/(increase) in trade and other receivables	(5,583,864)	147,012
(Increase)/decrease in other assets	128,198	(213,349)
(Increase)/decrease in deferred tax assets	(6,292)	10,748
Increase/(decrease) in trade and other payables	3,161,797	3,290,781
Increase/(decrease) in provisions	21,094	10,914
Increase/(decrease) in income tax payable	40,764	(161,588)
Net cash (used in)/from operating activities	(1,894,482)	3,364,380

Note 19: Share Capital

Ordinary & Redeemable Preference shares

Ordinary and redeemable preference shares entitle the holder to participate in dividends of the Cooperative 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.

	2023	2022	2023	2022
	No. of Shares	No. of Shares	\$	\$
Opening balance – shares of \$1 each (fully paid)	172	172	172	172
Redeemable preference share issues – shares of \$1 each (fully & partly paid)	770,000	680,000	770,000	680,000
Share issue costs (net of tax benefit)	-	-	(198,173)	(175,519)
Closing Balance	770,172	680,172	571,999	504,653

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 2023	30 June 2022
ADFC Nominees Pty Ltd	Australia. Suite 204, 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 four (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)

	2023 \$'000	2022 \$'000
Statement of financial position		
Current assets	22,955,151	19,484,760
Total assets	23,155,780	19,607,108
Current liabilities	20,089,246	16,916,064
Total liabilities	20,089,246	16,916,064
Net assets	3,066,534	2,691,044
Issued capital	571,999	504,653
Retained earnings	2,494,535	2,186,391
Total equity	3,066,434	2,691,044
Statement of profit or loss and other comprehensive income		
Profit for the year	308,144	255,102
Other comprehensive income	-	-
Total comprehensive income	308,144	255,102

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 FY24 has already commenced under agreed pricing and volume terms with all existing customers.

Note 24: Events After The Reporting Period

There are no events after the reporting period.

Note 25: Financing Facility

The Group now has access to a \$6m 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 204, 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 2023 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, 26th September 2023

Rod Slattery
Director

**Grant Thornton Audit Pty Ltd**

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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 2023, 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 2023 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 2023, 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. This description forms part of our auditor's report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Pititto
Partner – Audit & Assurance

Melbourne, 26 September 2023



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