AUSTRALIAN DAIRY FARMERS CO-OPERATIVE ANNUAL REPORT 2014

PERIOD ENDED 30 JUNE 2014
ABN 80 456 117 281

Contents

REGISTERED OFFICE

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Australian Dairy Farmers Co-operative Limited (ADFC) is a co-operative incorporated and domiciled in Australia.

PRINCIPAL PLACE OF BUSINESS

Suite 222A, 757 Bourke Street
MELBOURNE VIC 3008
Telephone: 03 9909 2208

CHAIRMAN

Scott Sieben

DIRECTORS

John Bastian
Steven Downes – Appointed 26/2/14
James Geraghty
Michael Roache
Richard Gladigau – Resigned 1/9/14
Ian Zandstra – Resigned 27/2/14
Duncan McInnes – Resigned 27/2/14

BANKERS

Australia and New Zealand Banking Group

AUDITORS

Grant Thornton Audit Pty Ltd

SOLICITORS

Addisons Lawyers

EXECUTIVE OFFICER & SECRETARY

Greg Griffith – Resigned 1/9/14

GENERAL MANAGER

Paul Kerr – Appointed 1/9/14

COMPANY SECRETARY

Beenish Shiraz – Appointed 1/10/14

Directors' Report

In accordance with a resolution of Directors, the Directors of Australian Dairy Farmers Co-operative Limited ('ADFC' or the 'Co-operative') present their report on the Co-operative for the year ended 30 June 2014.

DIRECTORS

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

- Scott Sieben - Chairman
- John Bastian
- James Geraghty
- Richard Gladigau – Resigned 1/9/14
- Steven Downes – Appointed 26/2/14
- D A McInnes – Resigned 27/2/14
- Michael Roache
- Ian Zandstra – Resigned 27/2/14

PRINCIPAL ACTIVITIES

ADFC is a Co-operative incorporated under the Co-operatives (Adoption of National Law) Act 2012 and is domiciled in Australia.

RESULTS OF OPERATIONS

Profit from continuing operations after income tax was $7,167 (2013: loss $110,701).

A review of operations is contained in the Chairman's Report within this Annual Report.

SUBSEQUENT EVENTS

There have been no subsequent events in the state of affairs during the FY 2013/14 financial year.

FUTURE DEVELOPMENTS

The Co-operative expects to continue operating as an ongoing entity, it is expected new supply arrangements will be entered into and as such there will be likely developments in the Co-operatives operations.

DIVIDENDS

There were no dividends paid or declared for the period ended 30 June 2014.

DIRECTOR INFORMATION

Scott Sieben - Chairman

Scott Sieben has been on the Australian Dairy Farmers Co-Operative Board since its inception in 2012 and accepted the Chairman's position in February 2013. He is also a Director on the Dairy Farmers Milk Co-Operative Board.

Scott is a member of the Australian Institute of Company Directors and is studying for his Diploma of Business Management. Scott and his wife Jade farm at Torrumbarry in Northern Victoria milking 230 cows on 180 hectares. They have two children, Lincoln and Georgia.

Scott has been appointed to the Audit, Finance & Governance Committee.

John Bastian

John Bastian has been an Independent Director on the ADFC Board since its inception in 2012 and has extensive experience in business and management consulting.

John worked for Sola Optical for 15 years and saw it transition from a small company in Adelaide to a major international business listed on the New York Stock Exchange. He has served on a variety of boards in the agribusiness sector including grain, wine, agricultural engineering and meat businesses. He is also a current Director on the Dairy Farmers Milk Co-operative Board.

He was the Business Review Weekly's Business Leader of the Year in 1990 and has a Bachelor of Business from the University of South Australia.

John has been appointed to the Audit, Finance & Governance Committee.

Steven Downes

Steven Downes was appointed to the ADFC Board in November 2013.

Steven is a fourth generation dairy farmer at Jamberoo on the South Coast of New South Wales and is currently building his herd of 120 milkers. Before taking over his family's dairy business in 2010, he worked at Macquarie Bank and National Australia Bank where he specialised in currency markets and agribusiness.

He has a Bachelor of Science in Agriculture from the University of Sydney and is currently undertaking an Advanced Diploma in Agribusiness Management from the National Centre for Dairy Education Australia. He is also a Director on the Dairy Farmers Milk Co-operative Board.

James Geraghty

James Geraghty was appointed to the ADFC Board in 2012. James works, with his wife Sari, on their dairy farm in Millaa Millaa on the Atherton Tablelands in Far North Queensland.

His family moved to the area from Lismore in 1932 and have been dairy farming since then. James purchased his farm with his parents in 1981. James and his wife currently milk 230 cows year round and have an annual production of 1.4 million litres a year.

James is the District Chairman and State Councillor for Far North Queensland for the Queensland Dairyfarmers' Organisation and has an Advanced Diploma in Agriculture. He is also a member of the Dairy Farmers Milk Co-operative Board.

James has been appointed to the Audit, Finance & Governance Committee.

Richard Gladigau

Richard Gladigau joined the ADFC Board in June 2013. He is a fifth generation dairy farmer from Mount Torrens in the Adelaide Hills, South Australia.

Richard is a board member of the South Australia Dairyfarmers' Association and Dairy Farmers Milk Co-operative, and is an active member in a number of local organisations including the Upper Torrens Land Management Project. He also holds a Certificate in Agriculture.

Michael Roache

Michael Roache was appointed to the ADFC Board at its inception in 2012. He has more than 40 years of hands on experience in dairy farming and the broader agricultural industry.

Michael is a third generation dairy farmer at Nalangil, Victoria, where he and his family currently run the oldest original dairy farm in the district. His farm has 550 cows and produces more than 4 million litres of milk per year. He is married to Loretta and they have 3 children.

Duncan McInnes

Duncan McInnes was appointed to the Co-operative's board on its inception on 2012. Mr McInnes has been a director of a number of dairy Co-operative boards since 1982 and is a director with Australian Dairy Farmers Co-operative, as well as involvement with other local community based organisations. He has previously served as District Secretary and Councillor with the Queensland DairyFarmers' Organisation for ten years.

With more than 40 years' experience as a dairy farmer, having originally purchased his dairy farm at age 19, Mr McInnes, in partnership with his two brothers, has increased milk production from 100,000 litres in 1980 to more than 4 million litres in 2012 from two farms.

Duncan is currently also a Councillor of the Royal National Association (Brisbane EKKA); he is a director of Dairy Farmers Milk Co-operative and in April 2012 was elected as a councillor on the Scenic Rim Regional Council.

Ian Zandstra

Ian Zandstra was appointed to the Co-operative's board on its inception on 2012. Mr Zandstra is a director and Chairman of Dairy Farmers Milk Co-operative and was also a director on the Australian Co-operative Foods (ACF) board from 1998 to 2004. Mr Zandstra holds a Bachelor of Arts and with his wife Cheryl, have two share farming dairy operations.

COMPANY SECRETARY

Gregory Griffith was the Co-operative's Company Secretary during the year and was appointed to this position on 6 August 2012. Greg resigned as Company Secretary on 1 September 2014. Beenish Shiraz was appointed on 1 October 2014.

INDEMNIFICATION AND INSURANCE

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

In addition, pursuant to its Rules, the Co-operative has indemnified past and present directors and officers of the Co-operative. 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 for leave of court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings.

The Co-operative was not a party to any such proceedings during the year.

ROUNDING OF AMOUNTS

The Co-operative is of a kind referred to in the class order 'Rounding in Financial Reports and Directors' Reports', issued by the Registrar of Co-operatives relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

MEETINGS OF DIRECTORS

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

	Board Meetings		Audit & Finance	
	A	B	A	B
Scott Sieben	5	5	0	0
John Bastian	5	5	0	0
Steven Downes	2	2		
James B Geraghty	5	5	0	0
Richard Gladigau	5	5		
Duncan McInnes	2	3		
Michael Roache	5	5		
Ian Zandstra	1	3		

Column A – The number of meetings attended.

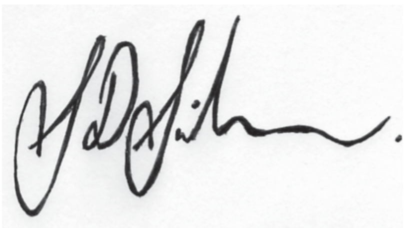
Column B – Indicates the number of meetings the directors were eligible to attend.

During the year the Board established an Audit, Finance & Governance Committee but the Committee did not meet during the year.

AUDITORS' INDEPENDENCE DECLARATION

The lead auditors' independence declaration for the period ended 30 June 2014 is included on page 6 and forms part of the Directors Report.

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



Scott D Sieben

Chairman

M Roache

Director

Melbourne, 21 November 2014

Grant Thornton

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Auditor's Independence Declaration
To the Directors of Australian Dairy Farmers Co-Operative Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Australian Dairy Farmers Co-Operative Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A J Archer

A J Archer
Partner - Audit & Assurance

Sydney, 21 November 2014

Corporate Governance

THE BOARD OF DIRECTORS

Board composition

The board comprises 5 directors: 4 farmer directors and 1 non farmer director.

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

Board responsibilities

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

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

AUDIT, FINANCE AND GOVERNANCE COMMITTEE

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

Composition

The committee currently comprises:

John Bastian

James Geraghty

Scott Sieben

The Committee did not meet during the year.

Statement of Profit or Loss and Other Comprehensive Income

For the period ended 30 June 2014	Notes	2014	2013
		$	$
Sales revenue		5,956,457	-
Other revenue	2	3,650	553
Changes in inventory		-	-
Cost of materials		(5,754,340)	-
General expenses	2	(98,270)	(104,483)
Finance expenses	2	(12,060)	-
Payroll expenses	2	(87,366)	(5,321)
Motor vehicle expenses	2	(13,894)	(1,450)
Amortisation expenses	2	(17,300)	-
Total expenses		(228,890)	(111,254)
(Loss) before tax from continuing operations before income tax		(23,123)	(110,701)
Income tax benefit		30,290	-
Profit/ (loss) after tax from continuing operations after income tax		7,167	(110,701)
Other comprehensive income		-	-
Total comprehensive income/ (loss) for the year attributable to members of the co-operative		7,167	(110,701)

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

Statement of Financial Position

As at 30 June 2014	Notes	2014	2013
		$	$
Current assets			
Cash and cash equivalents	4	**61,604**	194,060
Receivables	5	**193,825**	231
Total current assets		**255,429**	194,291
Non-current assets			
Intangibles	6	**51,900**	50,000
Plant & equipment	7	**1,298**	-
Deferred tax asset	8	**30,289**	-
Total non-current assets		**83,487**	50,000
Total assets		**338,916**	244,291
Current liabilities			
Payables	9	**292,442**	154,984
Total current liabilities		**292,442**	154,984
Non-current liabilities			
Payables	9	**150,000**	200,000
Members’ capital	18	**8**	8
Total non-current liabilities		**150,008**	200,008
Total liabilities		**442,450**	354,992
Net assets		**(103,534)**	(110,701)
Equity			
Accumulated losses	10	**(103,534)**	(110,701)
Total equity		**(103,534)**	(110,701)

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

Statement of Changes in Equity

For the period ended 30 June 2014

	Accumulated Losses $	Total $
Balance at 23 August 2012*	**-**	**-**
Loss attributable to the co-operative	**(110,701)**	**(110,701)**
Total other comprehensive loss for the year	-	-
Balance at 30 June 2013*	**(110,701)**	**(110,701)**
Profit attributable to the Co-operative	**7,167**	**7,167**
Total other comprehensive loss for the year	**-**	-
Balance at 30 June 2014*	**(103,534)**	**(103,534)**

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

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

Statement of Cash Flows

For the period ended 30 June 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts from customers		**6,552,103**	-
Payments to suppliers and employees		**(6,617,711)**	(7,501)
Interest received		**3,650**	553
Net operating cash flows	15	**(61,958)**	(6,948)
Cash flows from investing activities			
Purchase of intangibles	6	**(19,200)**	(50,000)
Purchase of plant & equipment	7	**(1,298)**	-
Net investing cash flows		**(20,498)**	(50,000)
Cash flows from financing activities			
Share subscriptions received	18	**-**	8
Loans received from related entities	9	**-**	251,000
Loans from related parties repaid	9	**(50,000)**	-
Net financing cash flows		**(50,000)**	251,008
Net increase/(decrease) in cash			
Net increase/(decrease) in cash for the period		**(132,456)**	194,060
Cash at the beginning of the financial year		**194,060**	-
Cash at the end of the year	4	**61,604**	194,060

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

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, the Co-operatives (Adoption of National Law) Act 2012 and the applicable sections of the Corporations Act 2001.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Co-operative's financial statements and notes comply with International Financial Reporting Standards (IFRS).

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

(b) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts.

(c) Receivables

(i) Other receivables

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. Other receivables are generally due for settlement within 30 days.

(ii) Collectability

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

(d) Intangible assets

Acquired intangible assets

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

Subsequent measurement

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

Software: 4 years

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

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

(e) Payables

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

(f) Borrowings

Borrowings are classified as current liabilities unless the Co-operative has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(g) Reporting period

The financial report has been prepared for the financial period ended 30 June 2014.

(h) Foreign currency translation

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

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(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 Co-operative's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

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

(ii) Interest revenue

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

(j) Members' share capital

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

(k) Goods and services tax (GST)

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

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

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 Co-operative'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) Comparative figures

The Co-operative was incorporated on the 23 August 2012 and the 11 month period has been reflected in these financials statements as comparatives.

(n) Going Concern

At 30 June 2014 the Co-operative's total liabilities exceeds its assets by $107,152 and incurred negative cash outflow from operations of $61,958. During the 2014 year, the Co-operative relies on the on-going funding and support from a related party Dairy Farmers Milk Co-operative. The Co-operative is still in its early stages of operations and subsequent to year end, secured another Milk Supply Agreement with a processor. This agreement is generating operating profit. Further agreements are currently being pursued.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(n) Going Concern (cont)

Based on this, the directors are of the opinion that the Co-operative will be able to continue as a going concern and accordingly, the financial statements have been prepared on this basis.

(o) Financial instruments

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

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

Classification and subsequent measurement

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

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

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

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

I. Loans and receivables

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

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

II. Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(p) New accounting standards

1. Changes in accounting policies

1.1 New and revised standards are effective for annual periods beginning on or after 1 July 2013

Amendments to AASB 119 *Employee Benefits*

The 2011 amendments to AASB 119 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- eliminate the ‘corridor method’ and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability; and
- enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

Under the amendments, employee benefits ‘expected to be settled wholly’ (as opposed to ‘due to be settled’ under the superseded version of AASB 119) within 12 months after the end of the reporting period are short-term benefits, and are therefore not discounted when calculating leave liabilities. As the Co-operative expects all annual leave for all employees to be used wholly within 12 months of the end of reporting period, annual leave is included in ‘Current provisions’ and not discounted when calculating the leave liability. This change has had no impact on the presentation of annual leave as a current liability in accordance with AASB 101.

Presentation of Financial Statements.
AASB 119 has been applied retrospectively in accordance with its transitional provisions. The Co-operative has not restated its reported results in the comparative period presented and reported the cumulative effect as at 23 August 2012. The application of AASB 119 did not have a material impact on the statement of cash flows for the year ended 30 June 2013 and 30 June 2014.

The AASB has issued AASB 1054 *Australian Additional Disclosures* and 2011-11 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Conveyance Project* and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

1.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Groups

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Co-operative.

Management anticipates that all of the relevant pronouncements will be adopted in the Co-operative's accounting policies for the first period beginning after the effective date of the pronouncement.

There are no standards that are not yet effective and that are expected to have a material impact on the co-operative in the current or future periods and on foreseeable future transactions.

Notes to the Financial Statements

	2014 $	2013 $
NOTE 2: REVENUE AND EXPENSES		
Revenue		
Interest revenue – other corporations	**3,650**	553
Expenses		
General expenses		
Accounting /bookkeeping fees	**7,585**	-
Advertising & marketing	**4,543**	-
Audit fees	**15,000**	-
License fees	**13,550**	-
Legal fees	**3,927**	102,353
Software expenses	**31,207**	-
Computer consultant	**2,000**	-
Telephone/internet/fax	**3,422**	-
Other expenses	**17,036**	2,130
Total general expenses	**98,270**	104,483
Interest expenses	**12,060**	-
Payroll expenses	**87,366**	5,321
Motor vehicle expenses	**13,894**	1,450
Amortisation expenses	**17,300**	-
Total expenses	**228,890**	111,254

NOTE 3: INCOME TAX

	2014	2013
(a) Income tax expense reconciliation		
Loss from ordinary activities before tax	**(23,123)**	(110,701)
Prima facie tax (benefit) on the loss from ordinary activities calculated at 30%	**(6,937)**	(33,210)
Temporary differences and tax losses not recognised	**1,341**	(33,210)
Recognition of temporary differences not recognised in prior years	**(24,694)**	-
Income tax benefit	**(30,290)**	-

Notes to the Financial Statements

NOTE 3: INCOME TAX (continued)	2014	2013
	$	$
(b) Income tax expense analysis		
Deferred tax		
Changes in deferred tax assets (Note 8)	30,290	-
Income tax expense/(benefit)	30,290	-
(c) Unrecognised tax losses		
Tax losses not brought to account	1,341	8,516
Temporary differences not brought to account	-	24,694
	1,341	33,210

NOTE 4: CASH AND CASH EQUIVALENTS

Cash and cash equivalents	61,604	194,060

NOTE 5: RECEIVABLES

Trade receivable	110,604	-
Other receivables	4,284	-
GST paid	-	231
Accrued income	78,937	-
Total receivable	193,825	231

NOTE 6: INTANGIBLES

Computer software at cost		
Balance at beginning of period	50,000	-
(Less) amortisation	(17,300)	-
Purchase during the period	19,200	50,000
Closing balance at period end	51,900	50,000

NOTE 7: PLANT & EQUIPMENT

Computer at cost	1,298	-

NOTE 8: DEFERRED TAX ASSETS

Deferred tax assets		
Amounts recognised in profit or loss		
Accruals	11,866	-
Capital expenditure	18,424	-
Total deferred tax assets	30,290	-
(a) Movements in deferred tax assets		
Balance at the beginning of the year	-	-
Credited to the income statement	30,290	-
Balance at the end of the year	30,290	-

Notes to the Financial Statements

NOTE 8: DEFERRED TAX ASSETS (continued)	2014	2013
	$	$
(b) Timing of recovery		
To be recovered		
After 12 months	**30,290**	-
	30,290	-

NOTE 9: PAYABLE

	2014	2013
Current		
Superannuation payable	**2,491**	431
Trade creditors	**11,706**	1,200
Related party payable	**153,353**	153,353
Accrued expenses	**115,997**	-
Other current liabilities	**7,101**	-
GST collected	**1,794**	-
Total current liabilities	**292,442**	154,984
Non-current		
Related party loan	**150,000**	200,000

NOTE 10: ACCUMULATED LOSSES

	2014	2013
Balance at the beginning of the period	**(110,701)**	-
Current year earnings	**7,167**	(110,701)
Balance at the end of the period	**(103,534)**	(110,701)

NOTE 11: COMMITMENTS FOR EXPENDITURE

The Co-operative had $nil commitments at the end of the financial period.

NOTE 12: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Co-operative does not have any contingent liabilities or assets as at 30 June 2014.

NOTE 13: AUDITORS' REMUNERATION	2014	2013
	$	$
Amount received, or due and receivable by Grant Thornton for audit of the financial report	**15,000**	8,000
Amount received, or due and receivable by Grant Thornton for other services	**2,395**	2,000
Total auditor's remuneration	**17,395**	10,000

Notes to the Financial Statements

NOTE 14: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors The directors of the Co-operative during the year and up to the date of the Directors' Report were: J J Bastian, J B Geraghty, D A M[c]Innes (resigned 27/2/14), M P Roache, S D Sieben (Chairman), Richard T Gladigau (resigned 27/2/14) I H Zandstra (resigned 27/2/14), and S Downes (appointed 26/2/14).

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

ADFC Chairman is the only directors to receive remuneration. The Chairman's directors' fees were established at the first annual general meeting on 20 November 2013 based on advice from external advisors, which included reference to fee levels for comparable companies.

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ADFC has a management services agreement with Dairy Farmers Milk Co-operative.

(c) Key management personnel compensation	**2014**	2013
	$	$
Short-term employment benefits	**6,667**	-
Post-employment benefits (superannuation)	**3,333**	-
Total key management personnel compensation	**10,000**	-

The compensation noted above comprises the annum fixed chairman' fees (inclusive of superannuation), which applied throughout the current financial year from 1 October 2013.

NOTE 15: CASH FLOW RECONCILIATION

Profit / (loss) attributable to members	**7,167**	(110,701)
Non-cash items in operating profit		
Depreciation and amortisation	**17,300**	-
Movement in assets and liabilities		
Increase in payables	**137,458**	103,984
Increase in receivables	**(193,594)**	(231)
Increase in deferred tax assets	**(30,289)**	-
Net cash outflow from operating activities	**(61,958)**	(6,948)

NOTE 16: FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The directors' overall risk management strategy seeks to assist the Co-operative in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Co-operative's Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Co-operative is exposed to through its financial instruments are credit risk and liquidity risk.

Notes to the Financial Statements

NOTE 16: FINANCIAL RISK MANAGEMENT (continued)

At 30 June 2014 the Co-operative's financial assets and liabilities are as follows:

	Note	2014	2013
		$	$
Financial assets			
Cash and cash equivalents	4	**61,604**	194,060
Loans and receivables	5	**193,825**	231
Total financial assets		**255,429**	194,291
Financial liabilities			
Financial liabilities at amortised cost:			
— trade and other payables	9	**127,029**	1,631
— related party loan	9	**315,413**	353,353
Total financial liabilities		**442,442**	354,984

Liquidity risk

Liquidity risk arises from the possibility that the Co-operative might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. Bank overdrafts have been deducted in the analysis as management does not consider that there is any material risk that the bank will terminate such facilities. The bank does however maintain the right to terminate the facilities without notice and therefore the balances of overdrafts outstanding at year-end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 Years		Over 5 Years		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$	$	$
Financial liabilities due for payment								
Trade and other payables (excluding est. annual leave)	**292,442**	154,984	**150,000**	200,000	**-**	-	**442,442**	354,984
Total contractual outflows	**292,442**	154,984	**150,000**	200,000	**-**	-	**442,442**	354,984
Total expected outflows	**292,442**	154,984	**150,000**	200,000	**-**	-	**442,442**	354,984
Financial assets — cash flows realisable								
Cash and cash equivalents	**61,604**	194,060	**-**	-	**-**	-	**61,604**	194,060
Trade, term and loan receivables	**193,825**	231	**-**	-	**-**	-	**193,825**	231
Total anticipated inflows	**255,429**	194,291	**-**	-	**-**		**255,429**	194,291
Net (outflow)/inflow on financial instruments	**(37,013)**	39,307	**(150,000)**	(200,000)	**-**	-	**(187,013)**	(160,693)

Notes to the Financial Statements

NOTE 16: FINANCIAL RISK MANAGEMENT (continued)

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the company. Most of these instruments which are carried at amortised cost (i.e. trade receivables, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the company.

		2014		2013	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
	Footnote	$	$	$	$
Financial assets					
Cash and cash equivalents	(i)	61,604	61,604	194,060	194,060
Trade and other receivables	(i)	193,825	193,825	231	231
Total financial assets		255,429	255,429	194,291	194,291
Financial liabilities					
Trade and other payables	(i)	127,029	127,029	1,631	1,631
Related party loan		315,413	315,413	353,353	353,353
Members' share capital		8	8	8	8
Total financial liabilities		442,450	442,450	354,992	354,992

The fair values disclosed in the above table have been determined based on the following methodology:

(i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave which is not considered a financial instrument.

Interest rate sensitivity

At 30 June 2014, the Group is exposed to changes in market interest rates through cash at bank at variable interest rates.

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1%. The calculations are based on a change in the average market interest rate, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

	2014		2013	
	Profit for the year	Equity	Profit for the year	Equity
	$	$	$	$
	+1%/ -1%	+1% /-1%	+1%/ -1%	+1% /-1%
Movement	616/(616)	616/(616)	1,941 /(1,941)	1,941 /(1,941)

Notes to the Financial Statements

NOTE 17: RELATED PARTY TRANSACTIONS

Dairy Farmers Milk Co-operative is a related party as it has common directors.

In 2013, the Co-operative received a cash loan of $251,000 from Dairy Farmers Milk Co-operative of which $201,000 remains outstanding at 30 June 2014. Interest expense of $12,060 has been accrued on the loan at an interest rate of 6% p.a. Furthermore, legal fees of $102,353 were paid by Dairy Farmers Milk Co-operative on behalf of Australian Dairy Farmers Co-operative in 2013 and this remains a payable in the current period.

NOTE 18: MEMBERS CAPITAL

	Number of Shares	Nominal Value
	#	$
Opening balance – shares of $1 each (fully paid)	8	8
Share issue	-	-
Closing Balance	8	8

Ordinary shares

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

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

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

Capital management

The Co-operative'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 Co-operative 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 Co-operative.

NOTE 19: EVENTS AFTER THE REPORTING PERIOD

ADFC has secured another Milk Supply Agreement with a processor and as such will be in the market to secure milk to meet its contractual obligations. No other matters or circumstances of significance have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Co-operative, the result of those operations, or the state of affairs of the Co-operative in future financial years.

NOTE 20: CO-OPERATIVE DETAILS

The registered office and principal place of business is:

12/60 Carrington Street

SYDNEY NSW 2000

Directors' Declaration

The directors of the Co-operative declare that:

(a) the financial statements and notes set out on pages 8-22 are in accordance with the Co-operatives (Adoption of National Law) Act 2012and the Corporations Act 2001, including:

  (i) complying with Accounting Standards, the Co-operatives (Adoption of National Law) Act 2012 the Corporations Regulations 2001 and other mandatory professional reporting requirements

  (ii) giving a true and fair view of the Co-operative's financial position as at 30 June 2014 and of its performance for the period ended on that date

  (iii) complies with International Financial Reporting Standards as disclosed in Note 1

(b) there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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

Scott D Sieben

Chairman

Michael Roache

Director

Melbourne, 21 November 2014

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Independent Auditor's Report
To the Members of Australian Dairy Farmers Co-Operative Limited

We have audited the accompanying financial report of Australian Dairy Farmers Co-Operative Limited (the "Company"), which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company .

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001, Co-operatives National Law and Co-Operatives Regulations 2005. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion the financial report of Australian Dairy Farmers Co-Operative Limited is in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the Company's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the Corporations Regulations 2001

Report on other legal and regulatory requirements

In our opinion, the financial report of Australian Dairy Farmers Co-operative Limited gives a true and fair view of the Co-operative's financial position as at 30 June 2014 and of its performance for the year ended on that date, in accordance with the requirements of the Co-operatives National Law and Co-operatives Regulation 2005.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A J Archer

A J Archer
Partner - Audit & Assurance

Sydney, 21 November 2014

ADFC AUSTRALIAN DAIRY FARMERS CO-OPERATIVE

Fairness for our farmers