

HEADS OF AGREEMENT

BETWEEN: **AUSTRALIAN DAIRY INDUSTRY COUNCIL, INC. (ADIC)**
 AUSTRALIAN DAIRY PRODUCTS FEDERATION (ADPF)
 and **AUSTRALIAN DAIRY FARMERS' LIMITED (ADF)**

BACKGROUND:

The parties to this Agreement note changes in the organisation of the Australian Dairy Industry, including (inter alia):

1. The merging of the Australian Dairy Corporation and Dairy Research and Development Corporation into a new entity to be called Dairy Australia;
2. The intended transfer to Dairy Australia of certain functions of the ADIC;
3. The creation of ADF to provide a successor organisation to represent dairy farmers throughout Australia;
4. The change in structure of the ADIC from a Council of 45 with an Executive of 17 and a Management Committee of 4, to an organisation comprising 3 members nominated by ADF and two members nominated by ADPF;

In the light of these changes the ADIC, ADPF and ADF consider it to be in their collective best interests that the financial resources of the ADIC be transferred to ADF which would utilise the resources to conduct its own operations and also provide administrative and secretarial services to ADIC. In accordance with the points agreed below.

MATTERS AGREED:

1. As soon as practical after audit confirmation of ADIC's accounts for the year to June 30, 2003, ADIC must transfer its assets to ADF.
2. On and from the date ADIC's assets are transferred to ADF (the *Transfer Date*), unless and until the parties agree otherwise:
 - (a) ADIC must, for a period of 7 years, continue to take out (insurance policies of a type taken out by it prior to the Transfer Date)* at a level of coverage approved by ADF. ADF must pay the premiums on all such insurances; and
 - (b) subject to paragraph 3, for a period of 7 years, ADF must pay all liabilities of ADIC as and when those liabilities fall due to the extent those liabilities arose prior to the Transfer Date or arose from an act or omission of ADIC prior to the Transfer Date, except to the extent a liability is met by ADIC's insurance.
3. ADF's obligation under paragraph 2(b) to pay ADIC's liabilities is limited to the value of ADIC's assets transferred to ADF less the total amount spent by ADF from those assets in accordance with paragraph 5 at the time an ADIC liability becomes due and payable. ADF must keep its accounts in such a way as to allow the amount spent from the ADIC's assets transferred to ADF to be readily determined from time to time.
4. Prior to the Transfer Date ADIC must provide ADF with:
 - (a) a copy of its audited accounts for the year ended June 30, 2003 as soon as they are available;
 - (b) a schedule setting out to the best of ADIC's knowledge and belief all liabilities and contingent liabilities of ADIC not shown in the audited accounts.

* Specific insurance detail to be confirmed.

5. ADF agrees to use the assets transferred to it from ADIC in the best interests of the Australian dairy industry and for the purposes for which the funds were provided as referred to in the Notice of Approval of Expenditure dated April 28, 1994 and signed by the Minister for Primary Industries and Energy at that time (a copy of which is attached) (the *Notice*). ADF must comply with the Notice including providing to the Commonwealth, either directly or through ADIC, such information as may be required by the Commonwealth under the Notice. ADF also agrees to provide to ADIC, upon ADIC's reasonable request, such other accounts and financial reports as are necessary to enable confirmation that the assets are being used in accordance with this paragraph 5.
6. ADF agrees to provide, out of the assets being transferred to it from ADIC, administrative assistance and other services to enhance the ongoing operations of ADIC, including, but not limited to the convening of meetings, provision of Agendas and briefing papers, recording and maintenance of minutes, maintenance of correspondence, files, and any other services as may be agreed from time to time.
7. ADPF as a nominating organisation for membership of ADIC (under both former and new ADIC Constitutions) confirms it supports and agrees with the proposed changes in industry organisation indicated in "BACKGROUND", above, and also with items 1 to 6 in 'MATTERS AGREED', above.
8. ADF, ADPF and ADIC agree that in their opinion the implementation of this Agreement is consistent with the succession requirements of the Notice of Approval of Expenditure referred to in 5 above.
9. This Heads of Agreement shall stand as the statement of principles agreed to by the three parties hereto unless and until superseded by a later dated document signed by these three parties.

AGREED and signed in MELBOURNE on

15th July 2003

Australian Dairy Industry Council Inc.

Australian Dairy Products Federation

Australian Dairy Farmers' Limited



COPY

HON WARREN TRUSS MP

Minister for Agriculture, Fisheries and Forestry

25 JUN 2003

Mr Patrick Rowley CMG
Chairman
Australian Dairy Industry Council Inc
84 William Street
MELBOURNE VIC 3000

Dear Mr Rowley

Thank you for your letter of 6 June 2003 regarding the sale of investment properties belonging to the Australian Dairy Industry Council (ADIC) and seeking my agreement to the transfer of ADIC assets including the proceeds of the property sales to Australian Dairy Farmers Limited (ADF).

You have advised that ADIC is rationalising and streamlining its operations in line with the restructuring of the dairy service bodies. I note from your letter that as part of this restructuring, some of ADIC's technical functions will be transferred to the Australian Dairy Corporation (ADC) for transition to Dairy Australia and that the size of ADIC will be reduced substantially with no further requirement for staff resources.

On this basis and on the understanding that ADF will undertake secretariat functions for ADIC, I have no objection to the proposed transfer of assets to ADF. However, in order to ensure that the funds continue to be used in a transparent way and for the benefit of the dairy industry, the transfer of assets is to be subject to similar conditions as applied to ADC and ADIC of 28 April 1994 from Robert Collins, then Minister of State for Primary Industries and Energy. In particular, the following conditions would be relevant to this transfer:

- that the funds are used for the benefit of the dairy industry and all records and documents of this use and of associated financial transactions are to be completely open to scrutiny from the Government and industry;
- that ADF is to provide to the Minister and to all members who attend the ADF annual general meeting, at that meeting, an audited annual statement relating to the funds and outlining how these funds have been utilised for the benefit of the dairy industry; and
- that prior to the dissolution of the ADF or, if in the opinion of the Minister the functions of the ADF have changed significantly, the funds including any real or

other property into which the funds may be traced, must be transferred to another body approved by the Minister.

Thank you again for keeping me advised on developments in ADIC. I wish ADIC, ADF and the Australian dairy industry a productive and prosperous future under the changed arrangements.

WARREN TRUSS