


2018-19

ANNUAL REPORT







"One of Dairy Australia's great strengths is that our regional network is embedded and 'in touch' with dairy communities."

Jeff Odgers
Chair, Dairy Australia

Glossary

ADF	Australian Dairy Farmers
ADIC	Australian Dairy Industry Council
ADPF	Australian Dairy Products Federation
AGM	Annual General Meeting
AOP	Annual Operating Plan
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
R&D	Research and Development
RD&E	Research, Development and Extension
RDC	Rural Research and Development Corporation
RDP	Regional Development Program
SFA	Statutory Funding Agreement
SP	Strategic Plan

THE AUSTRALIAN DAIRY INDUSTRY



35%
of milk
production
is exported



MAJOR EXPORT MARKETS tonnes

244,828 t Greater China	70,119 t Singapore
98,816 t Japan	61,184 t Malaysia
	56,647 t Indonesia

ANNUAL PRODUCTION OF MAIN COMMODITIES

381,111 t
Cheese

224,107 t
Milk powders

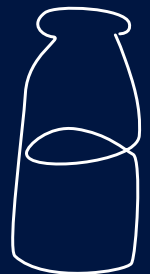
73,322 t
Butter



AVERAGE ANNUAL MILK PRODUCTION PER COW

6,169
litres

8,795
million litres



VALUE OF FARMGATE PRODUCTION

\$4.4
billion



AUSTRALIAN MILK UTILISATION

38% Cheese

4% Whole milk powder

28% Drinking milk

9% Other

21% Skim milk powder
or butter



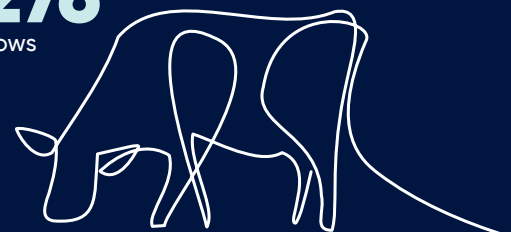
4th

Dairy is Australia's
fourth largest
rural industry



AVERAGE HERD SIZE

276
COWS



AUSTRALIAN DAIRY HERD

1.44 million
COWS

ANNUAL PER CAPITA CONSUMPTION

98.6 litres
milk

13.5 kg
cheese



AUSTRALIAN DAIRY FARMS

5,213

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CHAIR'S REPORT

The 2018-19 season was one of the toughest in recent memory. Persistent, very dry conditions across all regions significantly impacted the cost of key inputs and farm profitability, yet farmers showed their resilience in the face of these challenges. National milk production decreased 5.7 per cent to 8.8 billion litres. The Murray region was hardest hit, with high water prices and falling production an ongoing concern.

Dairy Australia worked hard to support farmers through a challenging year. A feed shortage planning campaign was launched to help farmers assess the seasonal settings, optimise Spring feed production and quickly mobilise procurement. The combined response of our Southbank and Regional Development Program (RDPs) teams made a real difference at farm level.

Our new Managing Director, David Nation, has provided strong leadership on several key initiatives during his first year in the role. His efforts in reshaping and refocusing Dairy Australia's functions has supported the delivery of more targeted and tailored services in line with our *Annual Operating Plan*.

I'm pleased that our farmer engagement continues to improve

Latest survey data shows nearly two in three farmers (66 per cent) have attended or participated in at least one regional activity or event. This participation rate has risen slowly over the past five years and corresponds with an improvement in overall farmer satisfaction with engagement. One of Dairy Australia's great strengths is that our regional network is embedded in and 'in touch' with dairy communities.

Our major innovation investments in DataGene, DairyBio and DairyFeedbase are hitting milestones and targets. These developments will add significant value over time through increased farm productivity and help keep our

industry globally competitive. Partnering with government and organisations like Gardiner Dairy Foundation in research and development is critically important. Farmer levies account for approximately one-fifth of total investment in these three flagship programs.

Maintaining community trust is key to our industry's social licence and freedom to operate. Trust is built by providing credible and transparent information on all aspects of the supply chain. Based on market research, our Dairy Matters campaign targeting opinion formers is hitting the mark.

The cumulative impact of several tough years has undoubtedly taken a toll on the industry and the Australian Dairy Plan process is very timely. Dairy Australia has played a key organisational role in the plan alongside Australian Dairy Farmers, Australian Dairy Products Federation and Gardiner Dairy Foundation, and is fully committed to supporting its fundamental aim of creating a more profitable, confident and united industry. The partner organisations are working well together and the level of engagement across industry, particularly through regional and July's national workshops, has been outstanding.

The big issues at stake are well summarised in the *Australian Dairy Situation Analysis* report produced by Dairy Australia and the partner organisations. It shows how the market – in terms of global competition, the supply chain and consumer trends – has evolved faster than our industry. The profitability of dairy farming has also become more volatile and increased risk management skills are required. There is a widespread shortage of skilled labour. Industry structure is another area where we can make improvements. There are also plenty of opportunities for the industry, built on continuing strong demand for dairy products in Australia and around the world.

Dairy Australia's next strategic plan was put on hold pending the outcomes of the Australian Dairy Plan. The consultation process for the plan has clearly identified key priorities for the industry and we look forward to supporting the recommendations of the resulting report once published.

This year will see an element of renewal in our Board elections as we farewell Jan West. On behalf of the Board I would like to thank Jan for her contribution since she became a Director in 2014 and for her effective Chairing of the Audit and Risk Management Committee.

I would like to thank all Directors for their ongoing efforts. Their experience and perspective are valued.

This year's Annual General Meeting will be held in Gippsland in order to make it easier for farmers to attend. This will also allow us to showcase the contribution of this important region, while highlighting progress with several national research and development programs.



J. R. Odgers.

Jeff Odgers Chair



MANAGING DIRECTOR'S REPORT

The Annual Report provides an overview of Dairy Australia's key achievements, during what was an exceptionally challenging season for the industry.

For the first time we have also produced a separate *Performance Report* with detailed information on our programs and investments. This level of transparency helps to show the value that Dairy Australia provides to our industry – not only today, but in setting it up for future success.

We worked hard to support farmers through the extremely dry conditions experienced in most dairying regions during 2018–19

The feed shortage campaign was rapidly activated early in the season, as feed availability and pricing became an increasing concern. We collaborated closely with our network of eight Regional Development Programs (RDPs) to provide a national level response with regional specific delivery.

Our on-the-ground support included 546 one-on-one Taking Stock sessions where trained advisors worked with farmers on decision making during this challenging time. We also helped organise discussion groups for farmers to connect and share common problems and increased promotion of the monthly Hay & Grain Report to provide farmers with comprehensive information on commodity prices and trends.

Our Farm Profit & Capability team has been focused on program support delivered on the ground by our RDPs. We invested over \$5 million into RDPs to provide local, relevant and accessible services such as field days, discussion groups and focus farms across Australia. Across the eight regions, our extension staff hosted over 1,000 farmer facing events.

This team has supported the continued roll-out of our DairyBase, Dairy Farm Monitor, irrigation for profit (across-RDC Rural R&D for Profit program) and Advanced Nutrition in Action programs. I am confident that the insights offered by these programs to individual farms can make a significant contribution to their ongoing success.

I'm very excited that the 'Our Farm, Our Plan' initiative will launch in the coming year, with the objective of supporting every dairy farm in Australia to have a high-quality business plan. It uses a simple planning process that involves all the decision makers in a farm business, creating a plan that everyone owns, can be shared and used to track progress.

Attracting newcomers to the industry and capability building remain big focus areas. During the past year we rebuilt our Discover Dairy schools program, increasing the variety of resources to drive dairy education in the classroom. We also redeveloped our flagship program Picasso Cows, reducing costs and increasing reach. Our Cows Create Careers program was delivered to over 14,000 students in 259 schools, involving 535 volunteer farmers and industry advocates. This is a highly regarded program with dairy farmers making a big contribution to its continued success.

During the past year we've built a new Learning and Development team to better address the skills gap in the industry and drive on-farm adoption of the newest technologies and best practice. Our Young Dairy Network connects young people in the industry and helps them develop the skills they need to further their careers. This very successful initiative currently supports around 2,500 young farmers across Australia. This year, 11 young people will complete the pilot of our personal and professional development program, DairyPath, deepening their industry and farm knowledge and developing critical technical skills.

We maintain strong national and international research collaborations and commercial partnerships, leveraging dairy farmer levies by co-investing with others and supporting world-leading innovation and R&D happening within these flagship investments in collaboration with our joint venture partners Agriculture Victoria and the Gardiner Foundation.

Our investment in DataGene has fostered a cohesive herd improvement sector and enabled Australia to reap the benefits of selecting genetics suitable for Australian farming conditions. This was a major milestone year, with DataGene implementing a new and improved computing infrastructure for genetic evaluation. This ensures Australian evaluations are quick, accurate and world-class and can respond to the needs of the herd improvement sector.

Our investment in DairyBio continues to develop important new breeding tools for pastures and cattle. New breeding lines for hybrid ryegrass were established, the first genome-edited plants for increased feed quality were bred, and new tools to improve breeding outcomes developed. Continual improvement in the reliability of cattle breeding values was also achieved.

DairyFeedbase was launched last year to fast track our ability to improve the practical management of agronomy and nutrition. Highlights from the past year include remote measurement of pasture, and rapid development in our ability to measure pasture quality as well as quantity. At Ellinbank in Gippsland, we also saw early indications that gains could be made by early lactation feeding of cattle.

Our Trade and Strategy team has made a valuable contribution to the industry in the past year including to the development of every piece of legislation or policy related to dairy. This includes significant work advising on water policy, the development of the industry's response to proposed EU regulations on Geographic Indications, policy development for the Dairy Industry Labour Agreement, review of health star ratings and food waste. The team also continued to provide a valued range of data reports, including *Situation and Outlook*, monthly milk production reports and *In Focus*. The dairy industry continues to have an unparalleled analysis of the dairy supply chain, when compared with all other agricultural sectors. I acknowledge the support of businesses across the whole dairy supply chain in supporting our efforts to produce valuable analyses and insights.

We continued to play a lead role in the dairy industry's Sustainability Framework, leading the process to set goals and targets for sustainable production by 2030 and to present an annual report of progress against the industry's current targets. We have also collaborated on a cross-commodity basis to support the development of their sustainability frameworks and learn from their experiences.

Farmers are seeking a greater focus on marketing and promotion to support a better understanding of our industry and benefits of dairy products. At the same time, socially conscious consumers want to know more about the food they are consuming and the way it is produced to ensure this aligns with their values.

In April, we launched a new marketing and promotion campaign, called Dairy Matters, which is a major part of the \$4 million invested annually on marketing and

promotion activities. The focus is to build trust through transparency by providing factual information about dairy product and practices. The campaign has been well received by consumers and farmers.

We have been active in responding to climate change and the environment. This includes securing funding from the Federal Government under the Smart Farming Partnership to build a Natural Capital and Climate Risk reporting tool for dairy. We've also gained funding from the Australian Packaging Covenant Organisation for the development of an industry-led strategy on sustainable packaging.

I'm proud of the significant role Dairy Australia has played in supporting the development of the Australian Dairy Plan

Our people from Southbank and all eight regions provided assistance to the plan organisers and helped facilitate engagement with over 1,000 people. The plan will inform the future shape and strategies of organisations that lead and serve the dairy industry, including Dairy Australia.

During the past year we've been focused on reshaping Dairy Australia's operations to improve how we evaluate and report on each investment, foster more collaboration across the organisation, and implement a new Human Resources strategy. There have also been structural changes in the Farm Profit and Capability, Business Operations and Human Resources teams. I'd like to recognise the work of all our people over the past year and their dedication to deliver quality programs for the dairy industry in what has been a challenging year. I'd also like to recognise the significant contributions of Ian Halliday, Chris Murphy and others who finished with Dairy Australia in the last year and made substantial contributions over many years.

Dairy Australia continues to have an active program of investment and activities that advance the dairy industry, which is made possible through the investment of farmer levies, the support of the Federal Government in matching investment in research and development, and in the many partners who support our work. The Board and I are grateful for this support, and we will continue to focus our efforts on rebuilding the profitability and confidence of the industry.

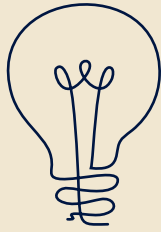


A handwritten signature in black ink, appearing to read 'David Nation'.

David Nation Managing Director

FY19 KEY ACHIEVEMENTS

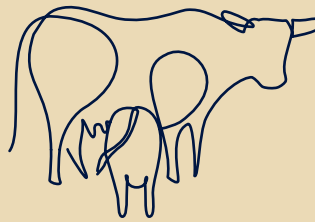
Engaged and inspired **2,500 people** through the **Young Dairy Network**.



Achieved **yield increases of 20%** through **DairyBio** Hybrid Perennial Ryegrass trials.

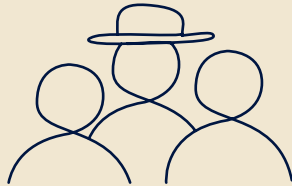


Delivered year one of **DairyFeedbase** investment, achieving rapid development in measuring **pasture quality and quantity**.

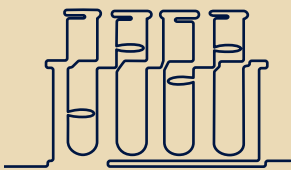


Achieved **99% compliance** to an industry target for completely **phasing out calving induction** by 2022.

Registered additional dairy farmers and advisors on the farm business performance tool **DairyBase**, taking the total number of users to **2,470 farms**.



Continued to play lead role in the dairy industry's **Sustainability Framework**, setting goals and targets for sustainable dairy production by 2030, alignment with the **United Nations Sustainable Development Goals** and published a report of the industry's progress.



Continued collaborative investments with other **Research and Development Corporations** and **research partners** to address shared **challenges** and leverage research findings.



Contributed to the development of **other industries sustainability frameworks**, both nationally and internationally.

Responded to immediate industry challenges during a tough year through the implementation of the Feed Shortage campaign, a multifaceted response to support farmers. Delivered 546 one-on-one consultations with farmers through the Taking Stock program.



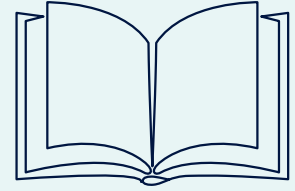


FY19 KEY ACHIEVEMENTS

Published **Dairy Farm Monitor** results for **230 farms across all 8 regions**, providing strong analysis and insights into farm performance across different regions and herd sizes.



Delivered the **DairyPath** program enabling young people to tailor their learning pathway and maximise their potential in the dairy industry.

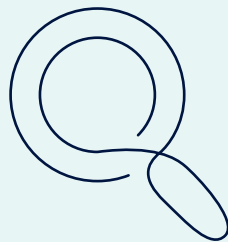


Delivered significant project with **DataGene** implementing a **new and improved computing infrastructure** for genetic evaluation.

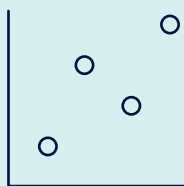


Invested **\$5 million** into **Regional Development Programs** to provide local, relevant and accessible services to dairy farming communities.

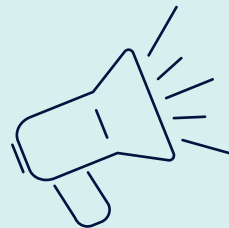
Identified and responded to **four emerging material sustainability risks** – sustainable dietary nutrition, antimicrobial stewardship, food waste and human rights.



Delivered **Cows Create Careers** to **259 schools**, reaching over **14,000**, and involving **535 volunteer farmers and industry advocates**.



Delivered flagship market analysis report **Situation and Outlook**, reaching over **8,000 direct recipients**, **1,000 website views** and **13,400 social media users**.



Enhanced **promotion of dairy** across **key Asian markets** through a joint commodity market development program with Meat & Livestock Australia, Horticulture Innovation Australia, Wine Australia and Austrade.

Played a critical role in supporting the development of the **Australian Dairy Plan**, recognising the need for the industry to deeply engage and set out **priorities for the next five years**.

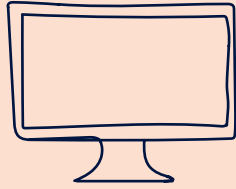


Launched a new consumer marketing program **Dairy Matters**, to build trust in dairy through transparent information on product and practices. **78%** of the socially conscious target audience **'feel more supportive of the dairy industry'** as a result of the campaign.

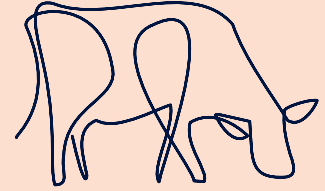


FY19 KEY ACHIEVEMENTS

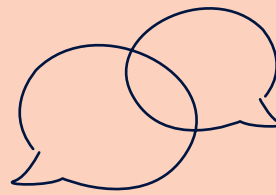
Redeveloped the **Discover Dairy online resource hub** to increase **accessibility, usability and drive** increased dairy education in primary school classrooms. **Over 159,000 page views** and **14,000 resource downloads** in first six months.



Delivered the redeveloped **Picasso Cows** schools education program to **130 primary schools**, reducing costs by **78%**.



Secured funding from the Federal Government under the **Smart Farming partnership** to build a **Natural Capital and Climate Risk reporting tool** for dairy.

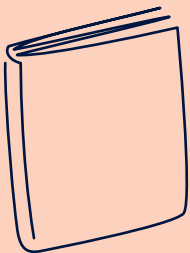


Delivered over **1,000 farmer facing events**, reaching **6,100 people** – to increase knowledge, develop skills and connect with dairy communities.

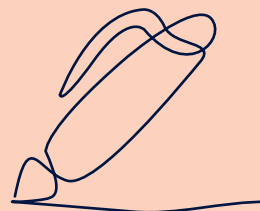
Enhanced relationships in **key markets of Japan, China and South East Asia**. 55 participants in scholarship programs and 860 attendees at in-market seminars.



Piloted '**Our Farm, Our Plan**' program that provides strategic planning and risk management support for farmers.



Established the **DairyLearn** partnerships network to deliver vocational training through registered training organisations.



Established a **Learning and Development team** to deliver training needs and technical information for people on-farm, in-factory and to support services, helping drive on-farm adoption.

Played a critical role in all **major policy discussions informing the decision-making process on key areas** including Free Trade Agreements, Geographical Indicators, climate change, water, animal welfare and gene technology.







**Dairy
Australia**



About Dairy Australia
Strategic priorities

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ABOUT DAIRY AUSTRALIA

We are the national services body for the Australian dairy industry, funded by a combination of levies paid by dairy farmers and matching payments from the Commonwealth Government for eligible research and development (R&D) activities.

Our purpose is to support the profitability and sustainability of dairy farming. We work closely with our levy payers and other important stakeholders to understand their needs and shape our investment priorities. We provide practical tools, services and advice to assist farming operations and the dairy supply chain. Our investments in innovation are focused on increasing farm productivity and the global competitiveness of our industry.

People are at the heart of everything we do

This includes attracting people to the industry, building skills, providing insights, informing policy formation and trade relations, promoting the benefits of dairy to consumers and meeting community expectations on issues such as environmental impact and animal welfare.

Our structure comprises a head office in Melbourne which supports on the ground delivery of services by eight Regional Development Programs (RDPs) located in dairy regions across the country.

We work closely with a wide range of industry, government and research organisations to advance the interests of dairy farmers. This includes Australian Dairy Farmers (ADF), state dairy farmer organisations, Australian Dairy Products Federation (ADPF), the Gardiner Dairy Foundation, state and federal Governments, other Rural R&D Corporations (RDCs) and University research bodies. Our partnership funding arrangements with these organisations in major industry investments maximises the value of the dairy levy.

STRATEGIC PRIORITIES

To achieve our core business objectives, Dairy Australia annually develops and reviews a set of strategic priorities, which guides our investment activities. A complete list of our FY19 projects can be found in Section 6 – Appendices.

Strategic Priority – focus/scope	Strategic Programs
 <p>1 Profitable dairy farms</p> <p>Pre-farmgate activities that contribute directly towards improving farm profitability by balancing cost of production, risk and total return on investment. The majority of this activity is productivity improvement-oriented R&D, best practice identification and subsequent program development.</p> <p>Post-farmgate activities are focused on improving farmgate sustainability and opportunities through supply chain cost reductions or improved conditions in key international markets.</p>	<ul style="list-style-type: none"> • Animal Health, Welfare and Fertility • Genetics and Herd Improvement • Farm Business Management • Feedbase and Animal Nutrition • AgTech and Innovation • Land, Water and Carbon • International Market Support • Manufacturing Margin Improvement
 <p>2 Capable people</p> <p>Programs that enhance the capability of industry participants, including extension services (which assist the adoption of R&D through activities that educate and inform or develop capacity to adopt change). This includes education and training activities, attracting people to the sector and assistance with career transitions.</p>	<ul style="list-style-type: none"> • Regional Operations and Extension • People and Capability
 <p>3 Trusted dairy industry</p> <p>Activities that have a strong focus on maintaining the industry's long-term 'social licence to operate' including:</p> <ul style="list-style-type: none"> • marketing and communications to build consumer trust and confidence in dairy products and the industry • informing industry and government policy development with industry insights and research • collecting, analysing and distributing sector statistics and information for the benefit of industry stakeholders • maintaining the sector's Sustainability Framework which sets and measures goals around sustainability credentials. 	<ul style="list-style-type: none"> • Industry and Community Marketing • Industry Risk and Reputation Management • Knowledge and Insights



Investment activity

FY19 revenue	18
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Collaborative investment	21

FY19 REVENUE

Dairy Australia's revenue is obtained primarily through the dairy service levy and Commonwealth Government funding for eligible Research, Development and Extension (RD&E) activities.

The dairy service levy is deducted from payments made to farmers by milk processing companies which are then remitted to the Australian Government. In FY19, the rate of milk levies was 2.8683 c/kg milk fat and 6.9914 c/kg protein. Based on national average milk composition, these combined levies were equivalent to approximately 4.7302 c/kg milk solids.

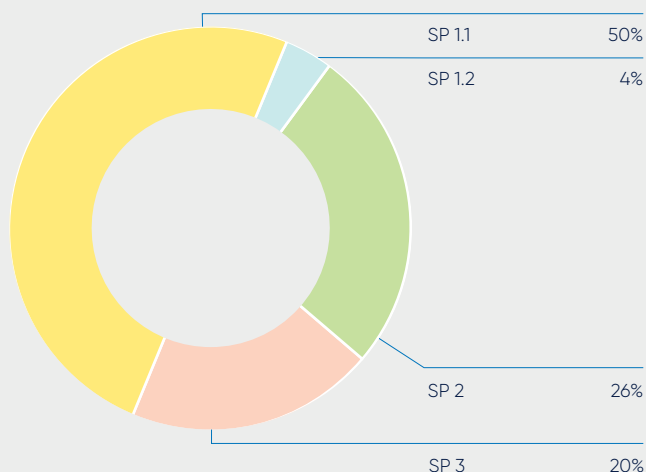
A Statutory Funding Agreement (SFA) between Dairy Australia and the Commonwealth Government of Australia (Commonwealth) includes the terms for the Commonwealth's provision of contributions which match the industry levy to a maximum of 50% of the gross annual milk production by the Australia dairy industry for eligible R&D activities.

The Commonwealth's important contribution of funds reflects the benefits of the agriculture industry including dairy to the Australian public and economy. Rural research and development corporations such as Dairy Australia are the mechanism by which dairy farmers and the Commonwealth co-invest in research and development for community and industry benefits.

Revenue	2019 (\$'000)	2019 (%)
Dairy service levy	30,936	56
Government matching payments	20,058	36
External contributions	2,820	5
Interest revenue	394	1
Distributions from investments	147	1
Royalties	138	-
Other income	520	1
Total revenue	55,013	100

FUNDING ALLOCATION

Project expenditure



Strategic Priority 1

Pre-farmgate activities	
Funding allocation (\$'000)	29,178

Strategic Priority 2

Funding allocation (\$'000)	15,555
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Strategic Priority 3

Funding allocation (\$'000)	2,333
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Funding allocation (\$'000)	11,722
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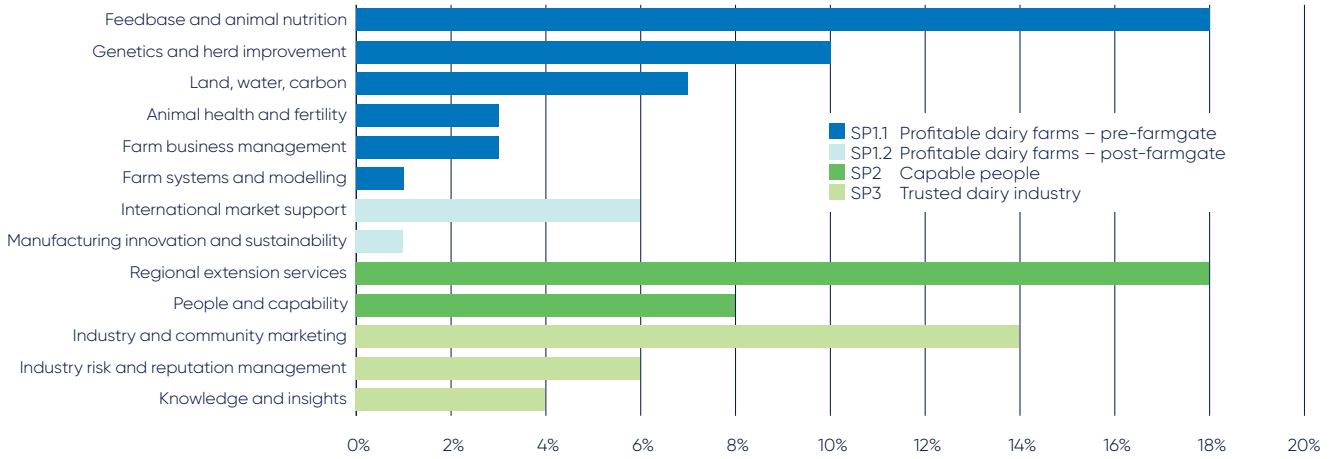
Total funding allocation (\$'000)	58,789
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Dairy Australia maintains a balanced portfolio of RD&E investments which is achieved by investing:

- over different time horizons including both long-term and short-term initiatives
- in response to critical short-term issues e.g. feed shortage
- in projects following thorough consideration of the benefits (benefit-cost ratio) and risks
- to maximise other funds while managing our risks i.e. with Universities, Ag Vic and the Gardiner Foundation
- in projects that consider research, development and extension activities and recognising the importance of rolling our successful research to the industry
- in projects with other RDCs to address similar problems that farmers face and agricultural wide industry issues
- in strategic initiatives to achieve long-term benefits for the dairy industry.

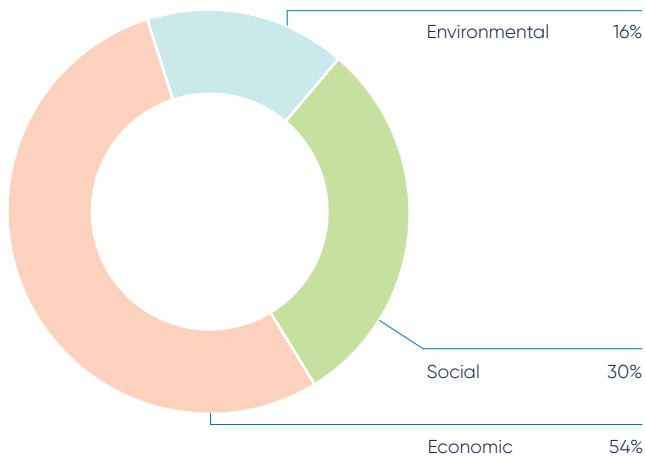
PROGRAM INVESTMENT

How funding is allocated across Dairy Australia's strategic programs

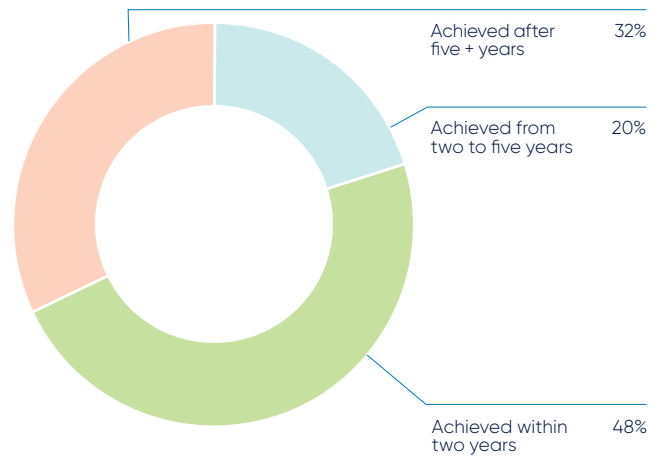


INVESTMENT FOCUS

Triple bottom line allocation



Time horizon to achieve project benefits

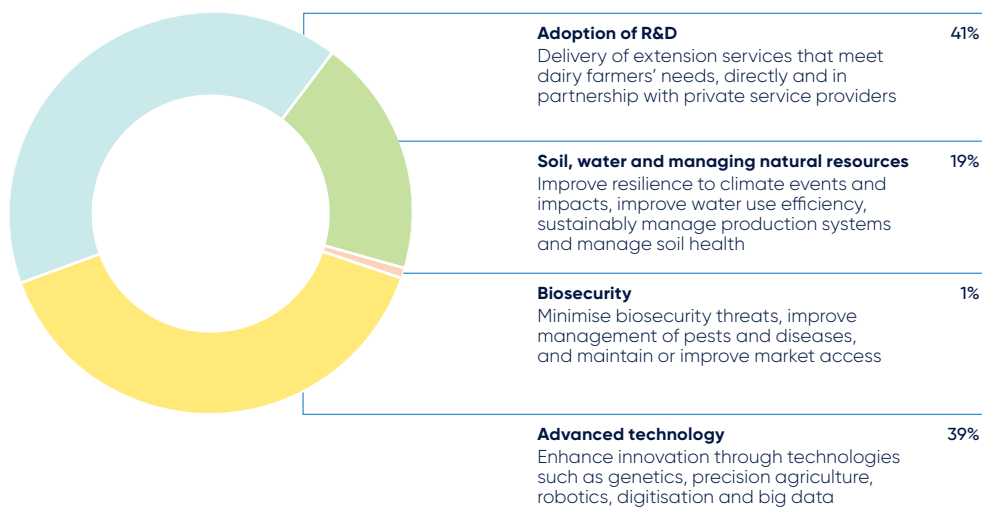


AUSTRALIAN GOVERNMENT RESEARCH, DEVELOPMENT AND EXTENSION FRAMEWORK

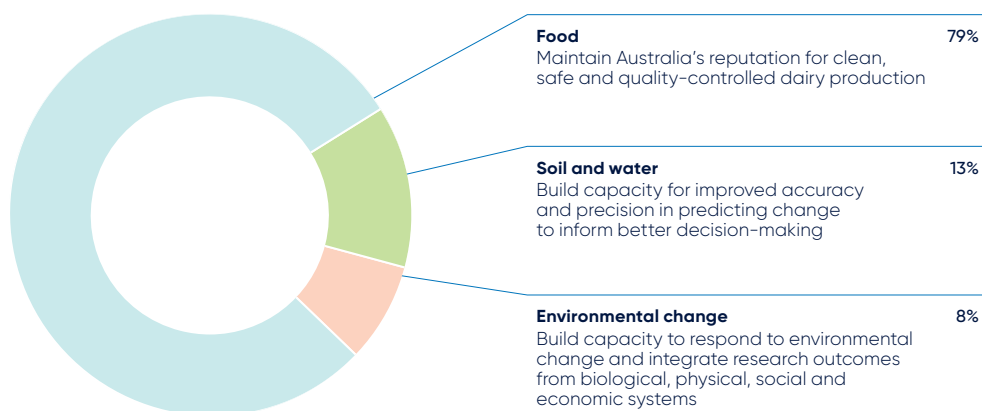
Our investments support the achievement of the Australian Government’s Science and Research priorities and Rural Research, Development and Extension (RD&E) priorities.

In FY19, approximately 80 per cent of our expenditure was directed towards activity that qualified as RD&E under government matching funding criteria.

Rural RD&E priorities FY19



Science and research priorities FY19



COLLABORATIVE INVESTMENT

We collaborate extensively with a range of Australian and international partners to deliver innovation and value to Australian dairy farmers.

Our partners include universities, state and federal governments, RD&E organisations, agricultural industry agencies and non-government organisations. Further detail can be found in Section 6 – Appendices.

In FY19, we collaborated with all 15 RDCs through Rural R&D for Profit projects, via other cooperative project activities and through participation in the Council of Rural R&D Corporations.

During FY19, we continued our collaborative investment with the Victorian Government and Gardiner Dairy Foundation in DairyBio and DairyFeedbase, aimed to help farmers improve pasture production, utilisation and herd nutrition. We also signed a Memorandum of Understanding with University College Dublin which is currently undertaking research in maximising milk production using pasture and supplements. A Memorandum of Understanding was also renewed with DairyNZ, enabling collaboration on a range of projects including DairyBio, Pastoral Genomics and the sharing of information in the Farm Business Management and farm skills areas.

Other collaborative investments included working with the Tasmanian Institute of Agriculture (TIA), the Queensland Department of Primary Industries, GRDC, MLA, AWI and AgriFutures Australia on a range of feedbase and animal nutrition projects including the Pasture Genebank. In FY19 we also partnered with the University of Melbourne in initiating the Dairy Vet Residency Program and continued to invest in the Western Dairy Hub with the Department of Agriculture in Western Australia

In FY19, Dairy Australia financially contributed \$500,180 (not including in-kind contributions) to cross-sectoral collaboration. (see Section 7.3 – Appendices for details).





Corporate operations



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OUR PEOPLE

Through the collaborative and committed efforts of our skilled, motivated people we are able to meet the needs of our farmers, stakeholders and industry.

Achievements

- A strategic review of Human Resources (HR) has led to a redefined team, with changed leadership, priorities and culture – the aim of which is to support, positively influence and ultimately help shift the organisation's approach to servicing our stakeholders.
- Dairy Australia underwent a redesign of the Farm Profit and Capability (FPC) and Business and Organisational Performance (BOP) teams to address the way we work. This led to significant structural changes in April. While a significant upheaval, the objective is to ultimately provide more targeted products and services and generally better outcomes for the dairy industry.
- Growth and development opportunities were plentiful across the organisation as a result of the restructure or staffing changes throughout FY19. More than 18 internal promotions or role changes occurred resulting in positive outcomes for organisational innovation and efficiencies and ultimately benefiting our stakeholders.
- Reimagined and rolled-out flexible working at Dairy Australia which has been embraced by the organisation. This resulted in positive outcomes for employee engagement, motivation and productivity, gender equality, retention of top talent, and access to regional talent; with some employees choosing to divide their time between multiple offices.

Key workforce data

Dairy Australia's decentralised model provides service, support and investment in relevant regional communities, while ensuring the organisation operates at maximum effectiveness and in the best interests of farmers.

Total headcount	FTE
174	143.7

Above statistics as at 30 June 2019

Regional Development Program employees – supported by Dairy Australia

Location	Headcount	FTE
GippsDairy	10	9.0
Murray Dairy	16	11.0
Dairy NSW	11	6.3
DairySA	5	2.7
Subtropical Dairy	6	3.5
DairyTas	6	3.4
WestVic Dairy	10	9.3
Western Dairy	6	4.5
Total	70	49.7

Above statistics as at 30 June 2019

174

people

40%

are based in regional areas

67%

women

57%

women at executive level

33%

women at Board level



Rene Borggreve

**Communications Planning and Content Manager
Dairy Australia**

"It's critical that we're reaching our farmers and other stakeholders with communication that is relevant, in a way that resonates with them."

Rene Borggreve is Dairy Australia's Communications Planning and Content Manager. He leads the communications team in planning and creating content, and the design team in producing high quality collateral and resources. Despite being new to Dairy Australia, Rene is not new to the industry having worked most recently at Fonterra Australia as the Marketing Manager Farm Source where he was committed to understanding farmers and translating their insights into valuable propositions. Prior to Fonterra, Rene was building his knowledge and experience in consumer marketing roles across food and beverage and fast moving consumer goods in Australia, Switzerland and his home country, the Netherlands.

Rene has had an immediate impact at Dairy Australia. With a focus on pursuing and nurturing a collaborative mindset and one-team approach, Rene has created a consistent and structured way of planning content and continuously improving the way we interact with farmers and other industry stakeholders.

He also believes that to have the best impact for our farmers and industry stakeholders, respect and active listening is absolutely critical to being able to effectively communicate to our farmers



Jenny Wilson



**Regional Manager
Murray Dairy Regional Development Program**

"My role is to support farmers in the Murray Dairy region, working together to deliver practical solutions and communicating the priorities and challenges of the region to stakeholders."

Jenny Wilson joined Dairy Australia as the Regional Manager for Murray Dairy RDP having worked across the various aspects of agriculture including research, policy and extension.

She's led state and national projects on farm planning, drought policy reform and environmental management systems

Jenny now leads a team who deliver practical and regionally relevant research, development, extension and education services to the dairy industry across the Murray Dairy region of northern Victoria and southern NSW.

For Jenny, collaboration is key. Her role is integral for highlighting regional issues, opportunities and priorities with the aim of applying collaborative approaches and solutions. She successfully developed a three-year project funded through Regional Development Victoria that provides \$1 million to the Victorian RDPs to deliver activities which increase the engagement of students with the dairy industry. This spirit of collaboration with government and industry also led to the development of Future Focus, a whole of industry strategy for dairy in the Murray region. The strategy has been instrumental in supporting conversations with government as the industry responds to current seasonal challenges on feed shortage, water affordability and land use changes.

LEADERSHIP TEAM

Our Leadership Team is responsible for our day-to-day activities and ensuring we deliver against the performance targets set out in our strategic and operational plans.



David leads Dairy Australia and is Managing Director. In a career in dairy spanning 20 years, David brings extensive experience across the sector, including leading roles in a number of key dairy innovation pipeline projects. He has a background in agricultural science and has fulfilled various commercial and technical roles in the animal breeding and herd fertility service industries. Prior to joining Dairy Australia in 2018, David was Co-Director of DairyBio and DairyFeedbase, and Chief Executive Officer of the Dairy Futures Cooperative Research Centre.

Dr David Nation Managing Director

BSciAg (Hons) PhD,
Grad. Cert Bus Mgmt, GAICD



Charlie leads the Trade and Industry Strategy team at Dairy Australia and is responsible for facilitating profitable international trade of Australian dairy products and providing information, analysis and market intelligence to the Australian dairy industry. Charlie has a long history of working within the agriculture and food sector in areas related to policy, advocacy and informing decisions related to the market dynamics. Charlie came to Dairy Australia from the National Farmers Federation (NFF), where he was the General Manager of Policy. Apart from overseeing all policy activities of the NFF, he also took primary carriage of the organisation's advocacy in the Economics and Trade portfolios.

Charlie McElhone Group Manager – Trade and Industry Strategy

BAgrEc, GDip (International Business),
MBA, GAICD



Peter leads the Farm Profit and Capability Group, which invests in research, development, extension and education activities to support the profitability, sustainability and competitiveness of Australian dairy farmers. He was previously the Program Leader of the Feedbase & Nutrition portfolio. Peter has a broad range of Agribusiness experience, coming to Dairy Australia from the Pasture Seed Industry where he was the National Sales and Marketing Manager of a large seed company and led a strong period of growth combined with a number of business acquisitions and integrations. Peter has worked for Rabobank, was an Agricultural Advisor in the Falkland Islands and worked in extension for NSW Agriculture delivering courses including Top Fodder and ProGraze.

Peter Johnson Group Manager – Farm Profit and Capability

BSciAg MBA



Elizabeth leads the Business and Organisational Performance Group which includes Strategy and Corporate Planning, Portfolio Management Office, Finance, Information Technology, Company Secretariat, Legal and Risk Management. Elizabeth has over 25 years' experience in senior management and corporate advisory roles in KPMG and Lander & Rogers. She has a strong record of achievement in roles including as a corporate finance director and chief operating officer. Elizabeth has broad board experience and has served as a director on multiple boards and the chair of audit and risk committees.

Elizabeth Parkin Group Manager – Business and Organisational Performance

BBus, FFin, CAANZ, FINSIA



Kendra leads the Marketing and Communications Group which includes consumer marketing, corporate and farmer communications, digital and design. Kendra has over 15 years' experience in marketing, corporate communications and public relations (PR), most recently as a Marketing Manager with Coles Express. Prior to that, she held senior management roles at Bakers Delight Holdings, including General Manager Marketing, Group Marketing Manager and Group Corporate Communications Manager. Kendra has been responsible for entire portfolios spanning brand advertising, marketing, product development, PR, media relations, stakeholder communications and engagement, issues and crisis management, and internal/external communications.

Kendra Campbell Group Manager – Marketing and Communications

BBus (Marketing)



Helen leads the Sustainability team at Dairy Australia including Food Safety and Integrity. She has a long history in the dairy industry having worked previously for CSIRO, the Australian Dairy Industry Council and the Australian Dairy Products Federation on research, development and extension strategies, issues management, supply chain, regulatory standards, policy frameworks, export facilitation, sustainability and international work including the development of International Dairy Federation/Food and Agriculture Organisation guides. As part of her role, Helen works with the Global Dairy Sustainability Framework and the Sustainable Agriculture Initiative.

Helen Dornom Manager – Sustainability including Food Safety and Integrity

BAgrSc (Hons), GAICD



Imogen leads the HR team at Dairy Australia bringing over 10 years' experience to the role. She has previously worked in a variety of industries including engineering, consulting, media/technology and property development. Imogen also brings specialist experience in HR Analytics, HR Technology and Employment Relations. Prior to joining Dairy Australia Imogen led the HR function at Caydon Property Group.

Imogen McBain Manager – Human Resources

MCom (HR) BAppSc (Psychology)

CORPORATE GOVERNANCE AND COMPLIANCE

Dairy Australia is committed to an effective system of corporate governance to transparently demonstrate its performance and accountability to members, levy payers, Government and other stakeholders.

Dairy Australia is an unlisted public company limited by guarantee. As the industry services body under the *Dairy Produce Act 1986* (Cth), Dairy Australia operates within a corporate governance framework consisting of:

- Dairy Australia's Constitution
- *Australian Charities and Not-For-Profits Commission Act 2012* (Cth)
- Statutory Funding Agreement with the Commonwealth of Australia
- Other relevant laws such as the *Corporations Act 2001* (Cth)

Statutory Funding Agreement

Dairy Australia entered into the current Statutory Funding Agreement (SFA) with the Department of Agriculture and Water Resources on 26 June 2017 for a term of four years. The SFA is the agreement under which the Commonwealth agrees to pay the dairy service levy funds from dairy farmers to Dairy Australia, together with government matched payments. The SFA also sets out:

- corporate governance and board requirements
- requirements for a review of performance against the agreement
- management and application of the funds in accordance with Commonwealth guidelines
- consultation requirements with levy payers, members and the Commonwealth
- reporting requirements of Dairy Australia including Strategic Plan, Annual Operational Plan, Evaluation Framework
- risk management requirements including a risk management plan, compliance audit and certification reports.

The last external review of Dairy Australia's performance against the SFA was conducted in 2017. All key improvement actions have been implemented by Dairy Australia from this review including performance dashboards, improvements to the annual report, improved marketing and promotional activities and enhanced communications to levy payers. The next independent assessment of compliance with the current SFA will occur in 2020.

Constitution

Dairy Australia's constitution includes:

- the objects (purpose) of the company
- membership eligibility criteria and voting rights
- consultation processes with members
- powers of the board
- composition and selection of board members and committees.

The Constitution and SFA are available on our website.

Membership

Under the Constitution, there are two classes of members:

- Group A members: dairy farmers who pay the dairy services levy and elect to become members. Group A members have voting rights on resolutions and director appointments.
- Group B members: bodies that represent the Australian dairy industry and currently consists of the Australian Dairy Farmers and Australian Dairy Products Federation. Group B members do not have voting rights but can move resolutions at general meetings.

While not a listed company, DA draws on best practice corporate governance guidelines such as the ASX Corporate Governance Principles and Recommendations. A report against the 3rd edition of the Principles and Recommendations for FY19 is on the following pages.



PRINCIPLE 1

Lay solid foundations for management and oversight

The roles and responsibilities of the Board are set out in detail in the Board Charter, which is available on our website.

More specifically, the Board's responsibilities include:

- open and transparent accountability to all stakeholders, particularly Group A and Group B members, non-member levy payers and the Australian Government
- reviewing, approving and monitoring progress against the strategic direction and financial objectives of Dairy Australia
- overseeing investment of the levy, government matching payments and other funds in essential activities across the dairy supply chain including research, development, extension and industry services aimed at enhancing the sustainability and profitability of the dairy industry
- approving the operating budgets, major capital expenditure and monitoring capital management ensuring a corporate governance framework is in place and effective monitoring of compliance and performance to ensure high standards of corporate governance
- considering the social, ethical and environmental impact of Dairy Australia's activities
- ensuring risks are assessed and strategies in place to manage them
- encouraging dairy levy payers to join as Group A members
- ensuring there are adequate resources to meet Dairy Australia's objectives
- appointing the Managing Director, monitoring and reviewing his/her performance and overseeing succession planning.

Dairy Australia has a formal document in place called Delegated Authorities, which sets out financial delegations to management and the Board receive reports from management at each Board meeting with respect to their implementation.

In accordance with the Board Charter, each Board member participates in an annual review process which is based on the results of a peer assessment. A more extensive Board and Board committee performance review is undertaken every three years and is facilitated by an external specialist. The next review will be undertaken in 2021.

The last Board performance review in 2018 highlighted a well-functioning board and recognised the diverse skillsets of Board members. A number of improvements have been implemented including:

- earlier engagement on strategic planning which has been facilitated by focus on the industry-wide Australian Dairy Plan
- more targeted engagement to different stakeholders which has been addressed with improved communication materials
- improvements to the quality of performance monitoring and reporting.

The Board has established three standing committees that assist in discharging its responsibilities:

- Audit and Risk Management Committee
- Human Resources Committee
- Board Selection Committee.

Each committee has a Charter setting out its roles and responsibilities. These are available on our website. The frequency of board meetings is outlined in Section 5.

The Board Selection Committee:

- undertakes background checks on Board nominees
- provides written reports to the Board regarding the Board selection process
- assesses the skill requirements needed for the Board to adequately fulfill its responsibilities
- advertises Board position vacancies caused by director retirement and engages an executive recruitment firm to assist in identifying relevant candidates
- assesses the candidates for each of the advertised vacancies and recommends a candidate for each vacant position
- provides information to assist members make director appointments at the Annual General Meeting.

The key terms and conditions applicable to the appointment of new directors are contained in a letter of appointment. Further details on the Director selection process are included in Principle 2.

PRINCIPLE 2

Structure the Board to add value

An effective Board is crucial to achieving company and industry objectives. Our Board is structured to ensure it:

- has the skills and experience necessary to deal with current and emerging dairy industry issues, and
- can conduct effective and independent reviews of management performance and decisions.

As at 30 June 2019, the Board comprised eight non-executive Directors (including the Chair) plus the Managing Director. The skills, experience and expertise of each Director are set out in more detail in the Directors' report (Section 5 – Financial report).

The Board skills matrix is used as a basis for identifying the skills and experience required of the Board as a whole and is reviewed annually. This includes skills reflective of all aspects of the dairy supply chain, and the Dairy Australia Constitution requires that the Board must have four milk producer Directors. The Board skills matrix is available on our website.

Every year, each Director completes a self-assessment against the skills matrix. The results of this exercise are then used to assist in the development of:

- actions and training requirements for individual Directors
- the specifications for any Director vacancies arising that year on the Board.

The Constitution provides for three-year terms for non-executive Directors, capped at a maximum of three terms (nine years). At each Annual General Meeting, Dairy Australia's Group A members elect Directors to fill Board vacancies created when Directors retire by rotation.

The Board Selection Committee comprises two representatives from each of the Group B members and one representative from the Board and is a standing committee appointed by the Board approximately every 12 months. The Board Selection Committee for 2019 comprised:

- David Lord (Chair and Dairy Australia representative)
- Simone Jolliffe (ADF nominee)
- Victoria Taylor (ADF nominee)
- Peter Stahle (ADPF nominee)
- Steve Oldridge (ADPF nominee).

Once elected to the Board, all Directors participate in an induction program tailored to their specific learning needs. The Board's continuing education program is reviewed and updated on a periodic basis and is overseen by the Board Human Resources Committee.

The Board recognises that the relevant skills and experience requirements for Directors might, at times, lead to a potential conflict of interest for a Director. Each Director is required to disclose all interests, positions and relationships that may bear on his or her independence prior to being appointed to the Board. This disclosure is updated and shared with other Directors prior to each Board meeting. Our Policy on the Independence of Directors details a process for dealing with conflicts of interest once declared. The Policy on the Independence of Directors is available on our website.

PRINCIPLE 3

Act ethically and responsibly

We aim to maintain a high standard of ethical business behaviour at all times. Our Dairy Australia Code of Conduct establishes the ethical standards by which directors, executives and employees are expected to abide.

The Code of Conduct includes:

- compliance with laws and requirements that apply to the organisation
- acting honestly and with integrity at all times
- ensuring confidentiality and not using information gained in the course of a person's employment or position with Dairy Australia for personal gain, or to obtain a benefit
- a process for managing conflicts of interests to ensure that behaviour is in accordance with the organisation's best interests
- dealing with gifts and hospitality to safeguard against unethical payments or inducements
- reporting of any alleged misconduct with the Code to maintain an appropriate culture of ethical behaviour.

No breaches of the Code were reported during FY19.

PRINCIPLE 4

Safeguard integrity in corporate reporting

Our Audit and Risk Management Committee assists the Board in fulfilling its responsibilities in relation to:

- financial reporting and policies to ensure the balance, transparency and integrity of published financial information
- ensuring the effectiveness of the internal control and risk management systems
- processes for monitoring compliance with legislative requirements, internal policies and expectations of key stakeholders
- internal and external audit functions, including appointment and assessing the performance of internal and external auditors
- management of investments including review of investment strategy and monitoring performance.

Members of the Audit and Risk Management Committee are appointed at the first Board meeting of each calendar year and are selected on the basis of their skills and experience they bring to the committees.

In FY19, the Audit and Risk Management Committee comprised three non-executive Directors plus the Board Chair who attended meetings in an ex-officio capacity. The chair and a majority of the Committee members are independent. The Charter for the Audit and Risk Management Committee requires that all members of the Committee be financially skilled, with at least one member having advanced accounting and financial expertise, and at least one member having a strong understanding of the dairy industry. Dairy Australia's external auditor Deloitte attends the AGM and as per last year, was available to answer questions on the conduct of the statutory financial statements audit and the content of the audit report.

PRINCIPLE 5

Make timely and balanced disclosure

As an unlisted public company, Dairy Australia is not subject to the disclosure requirements of the ASX. Regular updates are provided to levy payers and key stakeholders in addition to annual reporting on financial results and operations.

In FY19, we developed an evaluation framework to measure the efficiency and effectiveness of our performance and investments. This framework was approved by the Dairy Australia Board and the Australian Government in December 2017. Refer to Dairy Australia's Performance Report.



PRINCIPLE 6

Respect the rights of shareholders

As an unlisted public company, Dairy Australia does not have shareholders however we have an extensive and active engagement program with members and other key stakeholders.

We are committed to open, accountable and responsive decision-making, informed by effective communication and consultation between Dairy Australia, levy payers, the Government and industry stakeholders. This is detailed in our stakeholder engagement plan. Dairy Australia's Managing Director, senior staff and Directors frequently travel to dairy regions and attend industry events, providing numerous opportunities for levy payers to ask questions or raise issues.

We undertook a wide range of stakeholder communication and engagement initiatives throughout FY19 ensuring levy payers had a strong voice in decision-making and understood our levy-funded programs. Initiatives included:

- attendance and presentations at industry events such as farmer conferences, meetings and agricultural shows e.g. Australian Dairy Conference
- RDP-led activities such as seminars, on-farm workshops, field days and priority-setting sessions
- regular on-farm visits by senior Dairy Australia staff and Board members
- media releases distributed to print, electronic and broadcast media
- regular news articles and features in regional and rural print and online press
- fact sheets and research reports in both print and online formats
- quarterly electronic newsletters to farmers and service providers
- monthly electronic and hard copy RDP newsletters to farmers and regional stakeholders
- Dairy Australia and RDP Facebook pages
- Dairy Australia's YouTube channel, featuring a broad range of farmer-facing content and topical Tactics for Tight Times information to support farmer decision-making.

In addition, we met regularly with ADIC, ADF, ADPF, their executive teams, others representing industry and the various state dairy farmer organisations. ADF and ADPF provide representatives to industry reference groups (such as special purpose committees), who work with our people in the areas of farm productivity and delivery, dairy food safety, nutrition, workforce development and trade to maximise the alignment of industry investments.

Our corporate governance documents are available on our website. Levy payers are also provided with the opportunity to ask questions at the Annual General Meeting.

PRINCIPLE 7

Recognise and manage risk

Our Risk Management Plan outlines Dairy Australia's approach to risk including which risks are identified, assessed and managed. The plan also includes Dairy Australia's risk appetite statement that indicates the level of risk that is acceptable and guides the treatment of risk and development of controls or mitigation strategies. The Risk Management Plan is reviewed by the Audit and Risk Management Committee and endorsed by the Board.

We review the Risk Management Plan and update our risk profile regularly. Mitigation strategies or management actions are also monitored regularly by the Leadership Team, the Audit and Risk Management Committee and the Board.

Dairy Australia's internal auditors, RSM Australia, were appointed on 1 July 2018 and report to the Audit and Risk Committee. They provide a systematic, disciplined approach to evaluating and continually improving the effectiveness of risk management and internal control processes.

The FY18 internal audit of our Risk Management Framework considered it 'sustainable' and appropriate for an organisation of Dairy Australia's size.

We maintain an insurance program that provides cover for identified, insurable risks. As provided for in the Constitution, Dairy Australia indemnifies Directors and Senior Officers for potential losses arising from a claim by reason of an act committed by them in their capacity as Director or Officer, unless the liability arises from conduct involving a lack of good faith.

PRINCIPLE 8

Remunerate fairly and responsibly

The role of our Human Resources Committee is to provide assistance to the Board in fulfilling its responsibilities.

This includes:

- maintaining an overview of the company's reward strategy and principles and ensuring alignment with the company's vision and business objectives
- reviewing policies for directors and executives of Dairy Australia on remuneration and employment terms and conditions
- reviewing and recommending to the Board the annual Key Performance Indicators for the Managing Director
- reviewing and recommending to the Board salary adjustments and incentive payments for the Managing Director
- assisting the Board in ensuring that Dairy Australia complies with all regulatory and accounting requirements for disclosure of remuneration
- reviewing and making recommendations on the total funds (pool) available for annual salary increases and incentives payable to staff and the aggregate pool of remuneration of the Directors.

In FY19, the Human Resources Committee comprised four non-executive Directors plus the Board Chair who attended meetings in an ex-officio capacity.

Remuneration for Directors, key management and staff was externally benchmarked against general market data. Remuneration is in line with the market data against which it is benchmarked, and further information regarding the total remuneration paid to Directors and senior executives (Leadership Team) is set out in section 6.



INTELLECTUAL PROPERTY MAINTENANCE AND PROTECTION

Background

Dairy Australia has a portfolio of intellectual property, consisting predominantly of copyright subsisting in reports derived from research and development (R&D) projects and other materials or works prepared by subject matter experts engaged by Dairy Australia and, to a lesser extent, patents, trademarks, domain names and interests in plant breeders' rights.

Creation

The commissioning or funding of R&D initiatives by Dairy Australia is not driven by the prospect of generating a portfolio of intellectual property capable of returning a revenue stream through commercialisation. Rather, the goal of its investment is to return a real and direct benefit to Industry by generating relevant and valuable outputs and delivering these to levy-paying farmers (and, where relevant, other Industry stakeholders) efficiently and free-of-charge.

Protection and administration

Dairy Australia has developed formal processes for the protection and administration of Intellectual Property (IP) that is created and managed as a result of its research investment. Dairy Australia has an approved IP Management Plan.

The IP Management Plan supports the objects of Dairy Australia by providing clear direction to Dairy Australia and its personnel, and also research provider personnel, in respect of the identification, protection and management of IP rights arising from Dairy Australia's R&D investment. This is to ensure that the products and services arising from this investment are delivered to the Australian dairy industry through the most efficient and appropriate route to adoption and without excessive encumbrances.

Dairy Australia requires R&D partners to have an IP management system which records all third party IP, background IP and proposed project IP for all research projects funded by Dairy Australia. Each Dairy Australia funded research project is required to maintain and administer an IP Register.

Core objectives of Dairy Australia's Intellectual Property management

- 1 Ensure the intellectual property provisions contained in its contracts with third party educational institutions, research organisations and consultants commissioned to perform R&D or provide services requiring specialist knowledge and technical expertise allow Dairy Australia to own or use all outputs (hereafter "Foreground IP") in order to maximise the value to levy paying farmers and generally make use of the Foreground IP to achieve Dairy Australia's objectives and mission as the Industry services body.
- 2 Ensure that Foreground IP stemming from its R&D expenditure is competently examined and assessed at the time of its creation to ensure that opportunities to secure statutory protection or commercialise the IP are not overlooked and likely benefits in pursuing further R&D in the relevant area are identified and, where commercially viable, pursued.
- 3 Maintain procedures to effectively manage ongoing costs of protection of registered intellectual property.



Financial report



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DIRECTORS' REPORT

The Directors of Dairy Australia Limited submit their report for the year ended 30 June 2019.

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



Jeff Odgers Chair

Jeff owns an expanding dairy farming business on properties near Shepparton, Victoria. He has over 30 years' experience managing large scale farm enterprises in northern Victoria and Tasmania. He has a strong understanding of Australian dairy systems and their evolution and intensification, particularly over the past decade. He served as Director of Murray Dairy Inc. Regional Development Program (2006-12) and as Chair (2008-12). Jeff became a Director of Dairy Australia in 2013 and has led the organisation as Chair since 2017. He is a Director of Bega Cheese Ltd. His formal qualifications include a Bachelor of Business (Agricultural Management) and an Associate Diploma in Farm Management.

Appointed November 2013; appointed Chair November 2017
Ex-officio member – Audit and Risk Management Committee and Human Resources Committee (from December 2017)



Ian Halliday Managing Director

Ian was appointed Managing Director of Dairy Australia in January 2010, bringing to the position the experience of a career which has spanned the supply chain. His expertise includes an extensive range of management roles with SPC, Goodman Fielder, Kraft Foods, KR Castlemaine and Vesco Foods.

Resigned July 2018



Dr David Nation Managing Director

David was appointed Managing Director of Dairy Australia in July 2018. Prior to his appointment, David was a co-Director for both DairyBio and DairyFeedbase, and Director of Dairy Strategy and Investment Planning (Agriculture Victoria Services/Dairy Australia). In that role, David led Dairy Australia's role in developing large innovation projects in partnership with the Victorian Government and jointly managed two of the key initiatives – DairyBio and DairyFeedbase. David has experience in managing large-scale science initiatives, including past roles as Chief Executive Officer (CEO) of Dairy Futures Cooperative Research Centre and in program management at Dairy Australia. David has also had technical and commercial roles in the animal breeding and herd fertility service industries.

Appointed July 2018



Tania Luckin

Tania owns and operates a dairyfarming business in South-West Victoria. She has more than 20 years' experience in the successful operation of small, medium and large scale dairy farms and a range of governance roles including Director of the WestVic Dairy Board, Director of the Bonlac Supply Company and Chair of the Warrnambool CBD Committee. Tania holds an Advanced Diploma of Agriculture and is currently undertaking a Bachelor of Agribusiness Management.

Appointed November 2017

Member – Human Resources Management Committee (from February 2018)



David Mallinson

David has held a range of senior executive roles across Murray Goulburn Co-operative Co Ltd (MGC) and other processors and has extensive operational line experience including business transformation and operations. Additionally, he brings finance and senior managerial skills, along with his full P&L responsibility in his previous roles as Chief Financial Officer, Interim CEO and Executive General Manager Business Operations at MGC, which sells products in Australia, South East Asia, China, Japan, USA and the Middle East. He has previously been a Non-Executive Director on the Board of Snapsil Corporation. He has undergraduate qualifications in business and finance, has undertaken postgraduate business studies at Monash University and has been a participant on the Executive Management Program at Stanford University. David is a Fellow of the Australian Society of Certified Practising Accountants and a graduate of the Australian Institute of Company Directors.

Resigned November 2018



James Mann

James is the owner of Donovan's Dairying Pty Ltd at Wye, South Australia, which is one of the nation's leading dairy businesses. James has been involved in the Australian dairy industry for over 25 years, with experience in farm systems used in dairy farming and agriculture more broadly, across different regions in Australia as well as New Zealand and the United Kingdom. Donovan's Dairying supplies over 20 million litres per annum and milks 2,000 cows. James was the Chair of the DairySA Regional Development Program from 2002–2015 and has also performed other dairy industry leadership roles.

Appointed November 2015

Member – Audit and Risk Management Committee (from December 2017)
Member – Human Resources Committee (to November 2017)



John McKillop

John has extensive agribusiness experience with national and international corporations. He is currently a Director of Marcus Oldham College, Primary Industries Education Foundation and is the CEO of Hassad Australia. John holds a Diploma of Farm Management, a Bachelor of Business (Charles Stuart University), an MBA, and is a graduate of the Australian Institute of Company Directors.

Resigned November 2018



Graeme Nicoll

Graeme is a dairy farmer from South Gippsland, Victoria. He owns and operates a perennial pasture based dairy business, milking a crossbred herd, at Fish Creek in South Gippsland. Graeme holds qualifications in Horticultural and Dairy Science and Land Rehabilitation. He was awarded a Nuffield Scholarship in 2010, which provided him with the opportunity to study the global dairy industry. His industry roles have included Deputy Chair and subsequently Chair of the GippsDairy Regional Development Program. He is a member of UDV and has a strong national and international network of agricultural contacts. Graeme brings a deep passion for the dairy industry and extensive knowledge of dairy farming systems and technologies to the Dairy Australia Board.

Appointed January 2017

Member – Human Resources Management Committee



Jan West AM

Jan has more than 35 years' finance experience with Australian and international listed and private companies, government agencies and community organisations. She was an audit partner of Deloitte Touche Tohmatsu and retired from the practice in December 2011. Jan is a Fellow of Chartered Accountants Australia and New Zealand, a graduate member of the Institute of Company Directors and holds a Bachelor of Commerce degree from the University of Melbourne. Jan was awarded a Centenary Medal in 2001 and appointed a Member of the Order of Australia in 2007. Jan is a Non-Executive Director of Australia Post, the Australian Red Cross (ending November 2018) and Neurosciences Victoria Ltd. She is also an independent member of the Audit and Risk Management Committee of the Victorian Department of Treasury and Finance.

Appointed November 2014

Chair – Audit and Risk Management Committee



Professor Paul Wood AO

Paul has over thirty years' experience in agricultural R&D. Paul has been successful as both a research scientist and as an R&D leader. He is internationally recognised for his research in veterinary immunology, tuberculosis and vaccine development and is the inventor on a number of patents. He has led R&D teams from CSIRO, CSL and Pfizer Animal Health (now Zoetis). He has been responsible for bringing a number of innovative products to the market, receiving recognition for his work including the CSIRO medal and the Clunies Ross award. He has served on several boards with both R&D and commercial entities, currently serves as the Chair of the Agriculture and Foodtech Committee for AusBiotech and is an Adjunct Professor at Monash University. Paul is also a Director of the Global Alliance for Livestock Veterinary Medicines and P&R Wood Partners. He is also a Fellow of the Australian Academy of Technological Sciences and Engineering.

Appointed November 2016

Member – Human Resources Management Committee



Roseanne is an experienced non-executive director who has served on the boards of not-for-profit and ASX listed companies, as well as statutory corporations in the agribusiness and innovation sectors. Roseanne is currently Deputy Chair of the Board of the Grains Research and Development Corporation, Chair of Dairysafe SA and Chair of VineHealth Australia and was a former Director of the Rural Industries Research and Development Corporation. She holds a BA (Economics), Master of Business Administration, Master of Business Research (Commerce) and is a graduate of the AICD's International Company Directors course.

Roseanne Healy

Appointed November 2018

Member – Audit and Risk Management Committee



David is an experienced dairy industry leader with extensive capabilities in strategic planning and implementation, leadership and corporate governance. David has served as CEO and Managing Director of Parmalat Australia Ltd, Warrnambool Cheese & Butter Factory Company Ltd, and most recently as President and Chief Operating Officer at Saputo Dairy Australia. David holds an MBA (Executive) (MBS) and a Graduate Diploma of Business (Management) (Monash) and is a member of the Australian Institute of Company Directors.

David Lord

Appointed November 2018



Emma Braun was appointed Company Secretary in February 2017. She completed her undergraduate and postgraduate studies at the University of Melbourne and has undertaken further postgraduate governance studies with the Governance Institute of Australia. She is a Fellow of the Governance Institute of Australia and of the Institute of Chartered Secretaries and Administrators (UK) and is a member of the Australian Institute of Company Directors.

Emma Braun Company Secretary

Resigned May 2017



Elizabeth has over 25 years' experience in senior management and corporate advisory roles in multiple organisations such as KPMG and Lander & Rogers. She has a strong record of achievement in roles including as a corporate finance director and chief operating officer. Her strength lies in the strategic planning for the companies she has served along with implementing these strategies and business improvement. Elizabeth has broad board experience and has served as a director on multiple boards and as the chair of audit and risk committees. Elizabeth holds a Bachelor of Business and a Graduate Diploma of Finance and is a member of Chartered Accountants Australia and New Zealand and a member of Financial Services Institute of Australasia.

Elizabeth Parkin

Appointed May 2019

Meeting of Directors

Directors	Directors' meetings		Committee meetings			
	A	B	Audit and Risk Management Committee		Human Resources Committee	
			A	B	A	B
Mr J Odgers	11	11 ⁱ	4	4 ^{iv}	4	4 ^{iv}
Dr D Nation	11	11	4	4	3	3
Mr I Halliday (resigned July 2018)	1	1	-	-	1	1
Ms R Healy	6	6	2	1	-	-
Mr D Lord	6	6	-	-	2 ⁱⁱⁱ	2
Ms T Luckin	11	11	-	-	4	3
Mr D Mallinson	5	5	2	2	-	-
Mr J Mann	11	11	4	4	-	-
Mr J McKillop	5	5	-	-	2 ⁱⁱ	2
Mr G Nicoll	11	11	-	-	4	4
Mrs J West AM	11	10	4	4 ⁱ	-	-
Professor P Wood AO	11	9	-	-	4	4

A Number of meetings held during the time the Director held office

B Number of meetings attended

i Indicates Chair

ii Indicates Chair from July 2018 to November 2018

iii Indicates Chair from November 2018

iv Indicates attendance as an ex-officio member

Our Strategic Priorities

During the 2018–19 financial year Dairy Australia focused on implementing the three strategic priorities identified in its Strategic Plan 2016–17 to 2018–19.

These short-term and long-term strategic priorities focus on:

- profitable dairy farms
- capable people
- trusted dairy industry.

The following table shows how our principle activities were aligned to achieving our strategic priorities in FY19.

Dairy Australia Strategic Priorities	Strategic Programs	Major FY19 activities that contributed to the achievement of our strategic priorities
1 Profitable dairy farms	<ul style="list-style-type: none"> • Animal health and fertility • Genetics and herd improvement • Farm business management • Feedbase and animal nutrition • Agtech and innovation • Land, water and carbon • International market support • Manufacturing margin improvement 	<ul style="list-style-type: none"> • DataGene Ltd • DairyBio • DairyFeedbase • DairyBase • Managing milk quality (Countdown 2020) • Improving reproductive performance (InCalf) • Emissions mitigation strategies • Trade policy reform • International marketing programs
2 Capable people	<ul style="list-style-type: none"> • Regional operations and extension • People and capability 	<ul style="list-style-type: none"> • Tactics for Tight Times • Regional extension coordinators • Regional Development Programs (RDPs) • Cows Create Careers • DairyLearn • The People in Dairy program • The Young Dairy Network
3 Trusted dairy industry	<ul style="list-style-type: none"> • Industry and community marketing • Industry risk and reputation management • Knowledge and insights 	<ul style="list-style-type: none"> • Sustainability Framework • Policy and industry engagement • Chemical risk strategy • Industry issues management • Health and nutrition programs targeting consumers and health professionals • Australian Grand Dairy Awards • <i>Dairy Situation and Outlook</i> report

Limited liability of members (guarantee)

The Constitution states that, if the Company is wound up, the liability of members is limited as follows:

- Each member at the time the winding up starts, and
 - Each person who, at any time in the 12 months before the winding up started, was a member
- undertakes to contribute to the assets of the Company up to an amount not exceeding \$2 for payment of the debts and liabilities of the Company, including the costs of the winding up. The total amount that members of the Company are liable to contribute if the Company is wound up for 2018-19 is \$13,452.

Any surplus members' funds on winding up must not be paid to members but must be paid or transferred to another corporation with similar objects to the Company and with a constitution which prohibits the distribution of its income and property among its members.

Statement of Corporate Governance

A statement of corporate governance is set out on pages 28–35.

Registered office

Level 3, HWT Tower
40 City Road
Southbank Victoria 3006

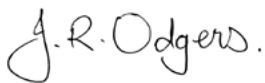
Rounding

The amounts in the financial report have been rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under *ASIC Corporations Instrument 2016/191* (Instrument). The Company is an entity to which the Instrument applies.

Auditor independence

The Auditor's Independence Declaration in relation to the audit for the year ended 30 June 2019 has been received by the Company. A copy follows the financial statements.

Signed in accordance with a resolution of the Directors.



Jeff Odgers
Director

26 September 2019



Dr David Nation
Director

26 September 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note	2019	2018
For the year ended 30 June 2019		\$'000	\$'000
Revenue	2		
Dairy service levy		30,936	33,373
Government matching payments		20,058	20,528
External contributions		2,820	4,834
Interest revenue		394	499
Distributions from investments		147	164
Royalties		138	125
Other income		520	884
Total revenue		55,013	60,407
Expenses	3		
Farm Profit and Capability		30,768	32,160
Marketing and Communications		9,137	6,083
Trade and Industry Strategy		5,841	6,683
Business and Organisational Performance		13,043	11,755
Total expenses		58,789	56,681
Surplus/(Deficit)		(3,776)	3,726
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gains/(losses) on available-for-sale financial investments	6.3	843	88
Other comprehensive income for the period		843	88
Total comprehensive income/(loss)		(2,933)	3,814

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

STATEMENT OF FINANCIAL POSITION

For the year ended 30 June 2019

	Note	2019	2018
For the year ended 30 June 2019		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	8,191	12,592
Trade and other receivables	6.1	9,731	14,280
Other financial assets	6.2	560	560
Total current assets		18,482	27,432
Non-current assets			
Plant and equipment	4.1	1,962	2,077
Intangible assets	4.2	367	80
Available-for-sale financial investments	6.3	18,063	16,777
Total non-current assets		20,392	18,934
Total Assets		38,874	46,366
Liabilities			
Current liabilities			
Trade and other payables	6.4	10,140	13,861
Provisions	3.2.2	1,874	2,568
Total current liabilities		12,014	16,429
Non-current liabilities			
Provisions	3.2.2	394	538
Total non-current liabilities		394	538
Total liabilities		12,408	16,429
Net assets		26,466	29,399
Reserves			
Retained surplus		25,934	29,710
Available-for-sale reserve	6.3	532	(311)
Total reserves		26,466	29,399

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Retained surplus	Available-for-sale reserve	Total
For the year ended 30 June 2019	\$'000	\$'000	\$'000
At 1 July 2017	25,984	(399)	25,585
Surplus for the year	3,726	-	3,726
Other comprehensive income	-	88	88
Total comprehensive income for the period	3,726	88	3,814
At 30 June 2018	29,710	(311)	29,399
Deficit for the year	(3,776)	-	(3,776)
Other comprehensive income	-	843	843
Total comprehensive loss for the period	(3,776)	843	(2,933)
At 30 June 2019	25,934	532	26,466

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	2019	2018
For the year ended 30 June 2019		\$'000	\$'000
Cash flows from operating activities			
Levy and government matching payment receipts		50,177	48,781
Receipts from customers and other contributors		7,699	5,540
Interest received		411	483
Distributions received	2.6	147	164
Payments to suppliers and employees		(61,649)	(54,148)
Net cash flows provided by/(used in) operating activities	5.2	(3,215)	820
Cash flows from investing activities			
Net proceeds from other financial assets		-	2,717
Net proceeds from/(purchases of) available-for-sale financial investments		(443)	1,231
Proceeds from disposal of plant and equipment		-	18
Purchase of plant and equipment		(743)	(713)
Purchase of intangible assets		-	-
Net cash flows provided by/(used in) investing activities		(1,186)	3,253
Cash flows from financing activities			
Net cash flows from financial activities		-	-
Net increase in cash and cash equivalents		(4,401)	4,073
Add: Opening cash and cash equivalents at beginning of year		12,592	8,519
Cash and cash equivalents at end of year	5.2	8,191	12,592

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2019

1. About this report

1.1. Date authorised for issue

The financial report of Dairy Australia Limited for the year end 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 26 September 2019.

1.2. Corporate information

Dairy Australia Limited is a company limited by guarantee incorporated in Australia.

1.3. Basis of preparation

The financial report is presented in Australian dollars and has been prepared in accordance with the historical cost convention, except for available-for-sale financial investments, which have been measured at fair value.

For the purposes of preparing the financial statements the Company is a not-for-profit body.

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*, Australian Accounting Standards – Reduced Disclosure Requirements and other authoritative pronouncements of the Australian Accounting Standards Board (AASB).

1.4. Economic dependency

Dairy Australia Limited is dependent upon receipt of the dairy service levy and Government matching payments.

2. Funding the delivery of services

The Company's main revenue streams are the dairy service levy, Government matching payments and external contributions.

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Specific recognition criteria must also be met before revenue is recognised as outlined below.

Structure

- 2.1 Summary of revenue that funds the delivery of services
- 2.2 Dairy service levy
- 2.3 Government matching payments
- 2.4 External contributions
- 2.5 Interest revenue
- 2.6 Distributions from investments
- 2.7 Royalties
- 2.8 Other income

2.1. Summary of revenue that funds the delivery of services

	Note	2019 \$'000	2018 \$'000
Revenue			
Dairy service levy	2.2	30,936	33,373
Government matching payments	2.3	20,058	20,528
External contributions	2.4	2,820	4,834
Interest revenue	2.5	394	499
Distributions from investments	2.6	147	164
Royalties	2.7	138	125
Other income	2.8	520	884
Total revenue		55,013	60,407

2.2. Dairy service levy

The dairy service levy is paid by farmers based on milk production and is calculated per kilogram on milk fat or protein content. The rate of milk levies is 2.87c/kg milk fat and 6.99c/kg protein.

The levy is deducted from the payments milk processing companies make to farmers and paid to the Commonwealth Government. The proceeds are then paid to the Company in accordance with the Statutory Funding Agreement.

Dairy service levy revenue is brought to account at the time the milk is harvested, when it is probable that the levy will be received by the Company and the value of the levy can be reliably measured.

2.3. Government matching payments

The Commonwealth Government supports the dairy industry by providing matching payments for eligible research and development activities. The maximum amount of Government matching payments received each year is the lesser of 0.5% of the amount determined by the Minister of the Department of Agriculture, Water and Resources to be the gross value of whole milk produced in Australia in the financial year, based on a three-year average, and 50% of the amount that is spent by the Company on qualifying research and development activities.

The revenue from Government matching payments is recognised when qualifying research and development expenditure is incurred. That portion of Government matching payments which is owed but not invoiced by nor remitted to the Company at reporting date is reported as Government matching payments receivable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

2.4. External contributions

	2019	2018
	\$'000	\$'000
Department of Agriculture and Water Resources	1,432	2,640
Geoffrey Gardiner Dairy Foundation Ltd	380	440
Cotton Research & Development Corporation	11	237
California Dairy Research Foundation	-	209
Meat & Livestock Australia Ltd	153	194
Department of Agriculture and Food WA	100	192
Others	744	922
Total External Contributions	2,820	4,834

The Company receives external contributions from other dairy and agricultural bodies such as the Department of Agriculture and Water Resources, the Geoffrey Gardiner Foundation and the State Departments of primary industries.

Revenue from external contributions is recognised in accordance with the terms specified in contracts with co-funding partners. Where revenue is received in advance of providing services, it is treated as deferred revenue and brought to account as the services are provided.

2.5. Interest revenue

Interest revenue includes interest received on bank deposits and from available-for-sale financial investments. Interest revenue is recognised on an accrual basis using the effective interest rate method which allocates interest over the relevant period.

2.6. Distributions from investments

The Company receives distributions from the externally managed funds invested with Colonial First State Global Asset Management. For more information, please refer to notes 6.3 and 7.1.

2.7. Royalties

Royalties are received from the commercialisation of intellectual property. Revenue from royalties is recognised on an accrual basis in accordance with the terms specified in contracts involving payment of royalties.

2.8. Other Income

	2019	2018
	\$'000	\$'000
Government grants	268	72
Sundry income	252	812
Total other income	520	884

Government grants represent the reimbursement of eligible expenses the Company received under the Commonwealth Government's Export Market Development Grants scheme. The grants are recognised at their fair value where there is reasonable assurance that the grant will be received.

Sundry income includes profit on sale of assets \$12,275 (2018: \$120,285).

The Company exercised its rights to sell its shareholding in TGR Biosciences Pty Ltd (TGR) to Sygnis AG during the 2017/18 financial year. The Company had in prior years written down the value of this investment to nil due to continuing losses. As a result of the sale, an amount of \$53,152 (2018: \$276,845) has been received and has been included in Sundry Income.

Sundry income is recognised when an amount becomes receivable.

3. Costs of delivering services

The Company's main activities are contributing to the promotion and development of the Australia dairy industry and Australian dairy produce by:

- funding research, development and extension activities for the benefit of the Australian dairy industry and the Australian community generally
- carrying out activities to develop the Australian national market for, and international trade in, Australian dairy produce
- providing information and other services, and
- carrying out other activities for the benefit of the Australian dairy industry.

These activities are aimed at developing and driving industry services and innovation for the ultimate benefit of dairy levy payers and they are implemented through a series of programs managed by the following business groups:

- Farm Profit & Capability
- Marketing and Communications
- Trade and Industry Strategy
- Business and Organisational Performance

Structure

- 3.1 Lease and license payments
- 3.2 Employee benefits
- 3.3 Commitments for expenses

3.1. Lease and license payments

	2019	2018
	\$'000	\$'000
Office rent and outgoings	686	628
Car park	58	70
Computer leases and licenses	100	358
Motor vehicles	108	22
Total lease and license payments	951	1,079

Office rent and car park leases relate to the lease of the Company's office at Southbank and car park spaces provided to key Southbank staff. The motor vehicles leases relate to running costs of motor vehicles which are now borne by the Regional Development Programs since the beginning of the 2017/18 financial year.

Computer leases and licenses relate to agreements in place for the rental of computer equipment and annual software licensing fees.

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

The Company only has operating leases, where the lessor retains substantially all the risks and benefits incidental to ownership of a leased item.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

3.2. Employee benefits

3.2.1. Employee benefits in the statement of profit or loss and other comprehensive income

	2019	2018
	\$'000	\$'000
Salaries and allowances	13,347	12,736
Superannuation	1,148	1,129
Long service leave	(348)	(312)
Termination benefits	462	185
Workers compensation costs	51	50
Total employee benefits expenses	14,660	13,788

Employee benefits refers to all payments made to employees during the year. Payments include ordinary time, overtime, allowances, on-costs, Fringe Benefit Tax, redundancy costs and Workers compensation costs. Any employee benefits outstanding at year end are accrued.

Superannuation includes superannuation contributions made by the Company of up to 9.5% of employees' wages and salaries, as legally enforceable in Australia.

Termination benefits are payable when an employee accepts an offer of benefits in exchange for the termination of employment.

3.2.2. Employee benefits in the statement of financial position

	2019	2018
	\$'000	\$'000
Current		
Employee benefits in respect of:		
Performance-based remuneration	40	312
Annual leave (expected to be settled within 12 months)	726	743
Annual leave (expected to be settled after 12 months)	167	306
Long service leave	941	1,207
Total provision for employee benefits - current	1,874	2,568
Non-current		
Employee benefits in respect of:		
Long service leave	394	538
Total provision for employee benefits - non-current	394	538

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service and performance-based remuneration when it is probable that settlement will be required and the benefits are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

The Managing Director's performance-based remuneration is based on a percentage of his remuneration package provided under the contract of employment. A provision is recognised and is measured as the aggregate of the amounts accrued under the terms of the contract to reporting date.

3.3. Commitments for expenses

3.3.1. Research and development expenditure commitments

	2019	2018
	\$'000	\$'000
Commitments contracted at reporting date but not recognised as liabilities are as follows:		
Not later than one year	16,609	11,606
Later than one year but not later than five years	14,522	11,236
Total research and development expenditure commitments	31,131	22,842

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

The Company enters into contracts with research organisations in respect of research, development and extension for the benefit of the Australian dairy industry. The Company performs a small proportion of research and development activities internally. Contracts are generally for periods up to a maximum of three years and include clauses which enable the Company to withhold or cease further funding in the event of factors arising which are outside the Company's control.

Research and development costs are expensed as incurred. Commitments for future expenditure are disclosed above at their nominal value exclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the statement of financial position.

3.3.2. Operating lease commitments

	2019	2018
	\$'000	\$'000
Future minimum rentals payable under non-cancellable operating leases as at 30 June are:		
Not later than one year	1,292	1,262
Later than one year but not later than five years	2,243	3,180
Total operating lease commitments	3,535	4,442

Operating lease commitments relate to office and motor vehicles. These leases have an average life of three to five years. The office lease for the Company's office premises at Southbank commenced in August 2017 and runs for five years with an option to renew for a further five years. Motor vehicle leases are for three years initially, with an option to renew for a further three years. There are no restrictions placed upon the Company by entering into these leases.

4. Assets available to support the provision of services

The Company controls plant and equipment and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that are owned by the Company for use in the delivery of services.

Structure

- 4.1 Plant and equipment
- 4.2 Intangible assets
- 4.3 Depreciation and amortisation

4.1. Plant and equipment

	2019	2018
	\$'000	\$'000
Furniture and equipment at cost	1,207	1,029
Accumulated depreciation	(559)	(420)
Total furniture and equipment	648	609
Leasehold improvements at cost	1,333	1,333
Accumulated depreciation	(249)	(116)
Total leasehold improvements	1,084	1,217
Motor vehicles at cost	834	623
Accumulated depreciation	(604)	(372)
Total motor vehicles	230	251
Total plant and equipment	1,962	2,077

Reconciliations of the carrying amounts of each class of plant and equipment at the beginning and end of the current and previous financial years are set out below.

	Furniture and equipment	Leasehold improvements	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Year ended 30 June 2019				
Opening balance at 1 July 2018	609	1,217	251	2,077
Additions	193	-	212	405
Disposals	-	-	-	-
Depreciation charge for the year	(154)	(133)	(233)	(520)
Closing balance at 30 June 2019	648	1,084	230	1,962
Year ended 30 June 2018				
Opening balance at 1 July 2017	283	1,291	365	1,939
Additions	553	64	96	713
Disposals	(86)	(13)	(6)	(105)
Depreciation charge for the year	(141)	(125)	(204)	(470)
Closing balance at 30 June 2018	609	1,217	251	2,077

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

Initial recognition

The cost method of accounting has been used for all acquisitions of assets during the year. Cost is determined as the fair value of the assets given up at the date of acquisition plus any costs directly attributable to the acquisition. Fair value at acquisition is equal to cost.

Subsequent measurement

Plant and equipment is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. Repairs and maintenance costs are recognised as expenses. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follow

- Furniture and equipment: 1.5 to 10 years
- Leasehold improvements: 10 years
- Motor vehicles: 3 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

4.1. Plant and equipment (cont.)

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amounts being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

Many assets of the Company are not held primarily for their ability to generate net cash inflows and are typically held for continuing use of their service capacity. Given that these assets are rarely sold, their cost of disposal is typically negligible. The recoverable amount of such assets is expected to be materially the same as fair value.

The recoverable amount of plant and equipment that generates cash inflows is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value. Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the surplus or deficit and allocated across functions.

Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in surplus or deficit in the year the asset is derecognised.

4.2. Intangible assets

	2019	2018
	\$'000	\$'000
Computer software at cost	1,030	690
Accumulated amortisation	(663)	(610)
Total computer software	367	80

Reconciliations of the carrying amounts of intangible assets at the beginning and end of the current and previous financial years are set out below.

	2019	2018
	\$'000	\$'000
Opening balance at 1 July	80	192
Additions	340	-
Amortisation charge for the year	(53)	(112)
Closing balance at 30 June	367	80

Initial recognition

The Company's intangible assets consist of purchased computer software and are initially measured at cost.

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 and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are applied:

- Computer software: 3 years

Derecognition and disposal

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit.

4.3. Depreciation and amortisation

	2019	2018
	\$'000	\$'000
Leasehold improvements	133	125
Furniture and equipment	154	141
Motor vehicles	233	204
Intangible assets	53	112
Total depreciation and amortisation of non-current assets	573	582

All plant and equipment and intangible assets that have limited useful lives are depreciated and amortised on a straight-line basis over the estimated useful life of the assets.

5. Cash flow information and balances

This section provides information on the Company's cash flow and balances.

Structure

- 5.1 Cash and cash equivalents
- 5.2 Reconciliation of operating surplus/(deficit) to net cash flows from operating activities

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

5.1. Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Cash at bank and in hand	8,191	12,592

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits that are for periods of less than three months are considered as cash at bank. Due to their short-term nature, their carrying value is assumed to approximate their fair value.

5.2. Reconciliation of operating surplus/deficit to net cash flows from operating activities

	2019	2018
	\$'000	\$'000
Operating surplus/(deficit)	(3,776)	3,726
Non-cash flows in operating surplus/(deficit)		
Depreciation	520	470
Amortisation	53	112
Gain on disposal - fixed assets	-	(120)
Changes in assets and liabilities		
Trade and other receivables (increase)/decrease	4,549	(5,585)
Trade and other payables increase/(decrease)	(3,717)	2,550
Provisions increase	(844)	(333)
Net cash flows provided by operating activities	(3,215)	820

6. Other assets and liabilities

This section sets out the other assets and liabilities that arose from the Company's operations.

Structure

- 6.1 Trade and other receivables
- 6.2 Other financial assets
- 6.3 Available-for-sale financial investments
- 6.4 Trade and other payables
- 6.5 Contingent assets and liabilities

6.1. Trade and other receivables

	2019	2018
	\$'000	\$'000
Receivables	1,085	6,444
Levies receivable	6,086	6,820
Sundry receivables and prepayments	2,560	1,016
Total trade and other receivables	9,731	14,280

Trade and other receivables disclosed above include amounts that are past due at the end of June 2019 for which the Company has not recognised a loss allowance because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company always measures the loss allowance for trade receivables at an amount equal to lifetime Expected Credit Loss (ECL). Trade and other receivables are non-interest bearing and are generally 30-day terms. Due to the short-term nature, their carrying value is assumed to approximate their fair value. It is expected that these balances will be received when due. Bad debts are written off when identified.

Levies receivable are determined by a formula which includes the actual and estimated volume of milk production. The Company receives dairy service levy income based on the fat and protein content of milk produced. Due to a delay of approximately four months before milk production figures are known, levies receivable is estimated based on expected production for the last four months of the financial year and the estimated levy rate based on historical fat and protein content.

6.1.1. Ageing analysis of receivables

At 30 June, the ageing analysis of receivables is as follows:

	2019	2018
	\$'000	\$'000
0-30 days	5,089	14,006
31-60 days	4,013	100
61-90 days	629	174
Total	9,731	14,280

The lifetime ECL is \$nil (2018: \$nil) because there has not been a significant change in credit quality and the amounts are still considered recoverable.

6.2. Other financial assets

	2019	2018
	\$'000	\$'000
Short-term deposits	560	560

Short-term deposits are for periods of three months or more and earn interest at the respective short-term deposit rates. Due to their short-term nature, their carrying value is assumed to approximate their fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

6.3. Available for sale financial investments

	2019	2018
	\$'000	\$'000
Investments in equity instruments designated at Fair Value through Other Comprehensive Income (FVTOCI)		
Externally managed funds	18,063	16,777

These funds are invested with Colonial First State Global Asset Management as a means to prudently manage the return on longer term cash reserves.

The portfolio is invested in two funds:

- Multi-asset Real Return - objective based and offers a more diversified asset allocation, and
- Wholesale Global Credit Income.

The fair value of funds is determined by reference to the unit price of the investment funds which are available each day based on closing values of the previous day.

In the current year, the Company has applied AASB 9 Financial Instruments (as revised in December 2014) and the related consequential amendments to other AASB Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of AASB 9 allow an entity not to restate comparatives and the Company has elected to take advantage of these transition provisions and not restate comparatives in respect of the classification and measurement of financial instruments.

AASB 9 introduced new requirements for:

- 1 The classification and measurement of financial assets and financial liabilities
- 2 Impairment of financial assets, and
- 3 General hedge accounting.

There is no impact on the Company's financial statements are described below. The Company has applied AASB 9 in accordance with the transition provisions set out in AASB 9.

Classification and measurement of financial assets.

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of AASB 9) is 1 July 2018. Accordingly, the Company has applied the requirements of AASB 9 to instruments that continue to be recognised as at 1 July 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018.

The fair value of the available-for-sale financial investments increased by \$1,286,392 (2018: \$1,212,780) during the year. This comprised income of \$443,202 (2018: \$398,578) and unrealised gains on available-for-sale reserve of \$843,190 (2018: \$87,715). The unrealised gains were offset against the unrealised losses of previous years, resulting in the available-for-sale reserve of \$532,116 (2018: \$311,074).

Impairment

The company assesses at each reporting date whether a financial asset or Company of financial assets is impaired.

For the purposes of impairment assessment, the available for sale assets are considered to have low credit risk. Lifetime ECL has been considered for these assets upon initial application of AASB 9 and it was determined on initial application of AASB 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of AASB 9.

The Company always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast direction of conditions at the reporting date, including time value of money where appropriate.

In determining the expected credit losses for these assets, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers operate, obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

6.4. Trade and other payables

	2019	2018
	\$'000	\$'000
Accrued research and development expenditure	1,255	2,687
Trade payables	5,245	2,455
Other payables	3,377	4,473
Deferred revenue	1,238	3,214
GST payable / (receivable)	(975)	1,032
Total trade and other payables	10,140	13,861

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. They are normally settled on 30-day terms and are unsecured.

Accrued research and development expenditure relates to work completed at 30 June 2019 where invoices have not been received.

Deferred revenue is the unutilised amounts of external contributions received on the condition that specified services are delivered or conditions are fulfilled.

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

6.5 Contingent assets and liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position but are disclosed and if quantifiable are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively where applicable.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. These are classified as either quantifiable where the potential economic benefit is known or non-quantifiable.

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company, or
- present obligations that arise from past events but are not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or the amount of the obligations cannot be measured with sufficient reliability.

6.5.1 Quantifiable contingent assets

In addition to the \$53,152 received from the sale of TGR shares, as disclosed in note 2.8, there may be additional consideration of up to \$77,033 to be received in the next two years, contingent upon the conditions stipulated in the sale/purchase agreement being met by TGR.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

6.5.2 Non-quantifiable contingent liabilities

The Company has legal claims pending. Due to the uncertainty inherent in litigation, an accurate assessment of any outcome is not possible. The Company is of the view that further disclosure of these disputes may prejudice the position of the Company.

7. Financial instruments

(a) Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Structure

- 7.1 Categories of financial instruments
- 7.2 Financial instruments specific disclosures
- 7.3 Fair value determination
- 7.4 Impairment

7.1. Categories of financial instruments

	2019	2018
	\$'000	\$'000
Financial assets		
<i>Amortised Cost</i>		
Cash and cash equivalents	8,191	12,592
Short-term deposits	560	560
Trade and other receivables	9,731	14,280
	18,482	27,432
<i>Fair Value through Other Comprehensive Income (FVTOCI)</i>		
Available-for-sale financial investments	18,063	16,777
Total Financial Assets	36,545	44,209
Financial liabilities		
<i>Amortised Cost</i>		
Trade and other payables	10,140	13,861
Total Financial Liabilities	10,140	13,861

The carrying value of financial assets and liabilities approximates their fair value.

7.2. Financial instruments specific disclosures

Investments and financial assets in the scope of AASB 9 Financial Instruments are classified as either financial assets at amortised cost or investments in equity instruments designated at FVTOCI, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through other comprehensive income.

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired.

(i) Amortised cost and effective interest method

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the financial asset, or, where appropriate, a shorter period, to the gross carrying amount of the financial asset on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the financial asset on initial recognition.

For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

(ii) Equity instruments designated at FVTOCI

Available-for-sale financial investments are non-derivative financial assets that are designated at fair value through other comprehensive income.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with AASB 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Distributions from investments' line item in profit or loss.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of AASB 9.

7.3. Fair value determination

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 Inventories or value in use in AASB 136 Impairment of Assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of the available-for-sale financial investments is determined by reference to unit price of the investment funds, which are available each day based on closing values of the previous day. This is considered level 1 in the fair value hierarchy. There are currently no financial instruments with fair value estimated based at level 2 or level 3 in the hierarchy.

7.4. Impairment

Impairment of financial assets

The company assesses at each reporting date whether a financial asset or Company of financial assets is impaired.

For the purposes of impairment assessment, the available-for-sale assets are considered to have low credit risk. Lifetime ECL has been considered for these assets upon initial application of AASB 9 until these financial assets are derecognised as it was determined on initial application of AASB 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of AASB 9.

For the purposes of impairment assessment, trade and other receivables are considered low risk on the basis of historical trends and the company having never written off any debts as bad in the current and past years. Lifetime ECL has been applied for trade and other receivables.

In determining the expected credit losses for these assets, the directors of the Company have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers operate, obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

8. Director and executive disclosures

Structure

- 8.1 Details of key management personnel
- 8.2 Compensation of key management personnel
- 8.3 Other transactions and balances with key management personnel

8.1. Details of key management personnel

(i) Directors

Mr J Odgers	Chair (non-executive)	
Dr David Nation	Managing Director	appointed July 2018
Mr I Halliday	Managing Director	resigned July 2018
Ms R Healy	Director (non-executive)	appointed November 2018
Mr D Lord	Director (non-executive)	appointed November 2018
Ms T Luckin	Director (non-executive)	
Mr D Mallinson	Director (non-executive)	resigned November 2018
Mr J Mann	Director (non-executive)	
Mr J McKillop	Director (non-executive)	resigned November 2018
Mr G Nicoll	Director (non-executive)	
Mrs J West AM	Director (non-executive)	
Prof P Wood AO	Director (non-executive)	

(ii) Executives

Mrs K Campbell	GM Marketing and Communications	
Mrs H Dornom	Manager Sustainability	
Mr P Johnson	GM Farm Profit and Capability	
Ms I McBain	Human Resources Manager	
Mr C McElhone	GM Trade and Industry Strategy	
Mr R McHenry	GM Human Resources	resigned September 2018
Mr C Murphy	GM Farm Profit and Capability	resigned December 2018
Ms E Parkin	GM Business and Organisational Performance	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

8.2. Compensation of key management personnel

Total consideration paid or payable to the key management personnel of Dairy Australia Limited was:

	2019	2018
	\$	\$
(i) Directors		
Short-term employee benefits	810,681	966,667
Post-employment benefits	54,607	56,259
Other long-term benefits	11,461	2,348
Total	876,749	1,025,274
(ii) Executives		
Short-term employee benefits	1,520,030	1,267,222
Post-employment benefits	117,182	95,952
Other long-term benefits	26,115	16,526
Termination benefits	76,431	-
Total	1,739,758	1,379,700
Total key management personnel compensation	2,616,507	2,404,974

Fees to directors of the Board comprise fixed remuneration only (base salary plus superannuation) and these fees have remained the same as the last financial year. Remuneration for all directors is in line with the market and is based on advice received from independent external remuneration consultants.

- Directors other than the Managing Director and Chair are remunerated at \$41,963 per annum (2018: \$41,963).
- Members of the Board sub-committees receive a further \$3,045 p.a. (2018: \$3,045)
- Chairs of the Board sub-committees receive \$6,090 p.a (2018: \$6,090)
- The Chair of the Board receives \$87,871 p.a. (2018: \$87,871) and is an ex-officio member of the Audit and Risk Management Committee and Board Human Resources Committee and receives \$6,090 p.a (2018: \$6,090) for this role.
- Both the current (Dr David Nation) and prior (Mr Ian Halliday) Managing Directors' remuneration packages comprise a fixed and short-term performance-based component, in addition the prior Managing Director also received a long-term performance-based component. The fixed remuneration element comprised a base salary plus superannuation. The performance-based component is subject to satisfying performance measures approved by the Board. With the new Managing Director commencing in July 2018, the total directors compensation above includes payments to the current Managing Director (eleven months) and the prior Managing Director (one month).

The Board undertakes an annual review of its performance and the performance of the Board subcommittees and the Managing Director.

Board directors' fees are recommended by the Board Human Resources Committee and approved by the Board.

In respect to the prior year, the former Managing Director's short-term and long-term incentives were included in the provision for employee entitlements and were subsequently paid in July 2018.

Executives

Executives are eligible to receive fixed remuneration only. The increase in remuneration from last financial year reflects termination benefits paid to a former executive and re-classification of one existing staff member as a member of key management personnel.

8.3. Related party transactions

Transactions with key management personnel related entities are detailed below. Note that individual key management personnel did not receive any personal benefit as a result of the transactions.

Payments made to key management personnel-related entities

During 2019, \$239,878 (2018: \$175,701) was paid or payable to the following key management personnel-related entities under normal commercial terms and conditions.

Entity	Dairy Australia key management personnel	2019 \$	2018 \$
Australian Dairy Conference Ltd	Mr C Murphy ¹	44,527	39,845
Australia Post	Mrs J West	57,939	45,830
Australian Red Cross	Mrs J West	1,537	2,401
Marcus Oldham College	Mr J McKillop	135,875	87,625
Total		239,878	175,701

Income earned from key management personnel-related entities

During 2019, \$36,951 (2018: \$212,396) was received or receivable from the following key management personnel related entities under normal commercial terms and conditions.

Entity	Dairy Australia key management personnel	2019 \$	2018 \$
Bega Cheese Ltd	Mr J Odgers	4,000	6,000
Grains Research and Development Corp	Ms R Healy	32,951	-
Murray Goulburn Co-operative Co. Ltd.	Mr D Mallinson ²	-	67,796
Pasture Trials Network Ltd	Mr C Murphy ¹ , Mr P Johnson ³	-	138,600
		36,951	212,396

¹ Mr C Murphy was on the Board of Directors of Australian Dairy Conference Ltd and Pasture Trial Network Ltd as the Dairy Australia representative until December 2018. Mr C Murphy did not receive remuneration from these organisations.

² Mr D Mallinson was the Chief Financial Officer of Murray Goulburn Co-operative Co. Ltd until April 2018.

³ Mr P Johnson was on the Board of Directors of Pasture Trials Network Ltd as the Dairy Australia representative from May 2019. Mr P Johnson did not receive remuneration from this organisation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

9. Other disclosures

This section includes additional material disclosures required by accounting standards or otherwise for the understanding of this financial report.

Structure

- 9.1 Events after balance sheet date
- 9.2 Income tax
- 9.3 Other taxes
- 9.4 Auditor's remuneration
- 9.5 Members' funds
- 9.6 Significant accounting judgements, estimates and assumptions
- 9.7 New accounting standards and interpretations

9.1. Events after balance sheet date

There have been no significant events occurring after reporting date which may affect either the Company's operations or results of those operations or the Company's state of affairs.

9.2. Income tax

The Company is exempt from income tax pursuant to section 50-1 of the ITAA 1997.

9.3. Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

9.4. Auditor's remuneration

The auditor of Dairy Australia Limited is Deloitte Touche Tohmatsu. Amounts received or due and receivable by Deloitte Touche Tohmatsu are as below:

	2019	2018
	\$	\$
Audit of the financial report of the Company including Statutory Funding Agreement compliance	85,000	87,000
Other services		
- returning officer (AGM)	5,000	7,900
Total auditor's remuneration	90,000	94,900

In the event that other services are provided by Deloitte Touche Tohmatsu, they are approved by the Audit and Risk Management Committee and do not compromise the independence of the auditor.

9.5. Members' fund

The Company is limited by guarantee. The Constitution states that, if the Company is wound up, each nominated member at the time the winding up starts and each person who was a nominated member at any time in the 12 months before the winding up started, is required to contribute a maximum of \$2 each towards payment of the debts and liabilities of the Company including the costs of winding up.

Any surplus members' funds on wind up must not be paid to members but must be paid or transferred to another corporation with similar objects to the Company and a constitution which prohibits the distribution of its income and property among its members.

	2019	2018
	number	number
Group A members		
Nominated	3,597	3,847
Joint	3,127	3,349
Total	6,724	7,196
Group B members		
Total	2	2
Total Group A and Group B members	6,726	7,198

9.6. Significant accounting judgements, estimates and assumptions

The Company is required to make judgements, estimates and assumptions, which affect the reported amounts in the financial statements.

(i) Significant accounting judgements

Management has not made any other significant judgements which have a significant effect on the amounts recognised in the financial statements in the process of applying the Company's accounting policies, other than determining when an available-for-sale financial investment is impaired.

(ii) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. At reporting date, other than dairy service levy receivable, there are no other significant estimates and assumptions that could have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period.

(iii) Classification of and valuation of investments

The Company has decided to classify the externally managed funds as available-for-sale investments and movements in fair value are recognised directly in equity. The fair value of funds has been determined by reference to the unit price of the investment funds which are available each day based on closing values of the previous day.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 30 June 2019

9.7. New accounting standards and interpretations

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended Australian Accounting Standards and AASB Interpretations that are relevant to its operations as of 1 July 2018:

- AASB 9 Financial Instruments

The adoption has not had any material impact on the Company.

New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

- AASB 1058 Income of Not-for-profit Entities
- AASB 15 Revenue from Contracts with Customers
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

The Company is currently assessing the expected impact on its financial statements arising from the new and revised Australian Accounting Standards.

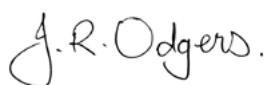
DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

- a There are reasonable grounds to believe that the Company is able to pay its debts, as and when they become due and payable, and
- b The financial statements and notes satisfy the requirements of the Australian Charities and Not-for-profits Commission Act 2012, including compliance with the Australian Accounting Standards – Reduced Disclosure Requirements and giving a true and fair view of the financial position and performance of the Company.

Signed in accordance with a resolution of the directors made pursuant to subsection 60.15(2) of the Australian Charities and Not-for-profits Commission Regulation 2013.

On behalf of the Board



Jeff Odgers Director

26 September 2019



Dr David Nation Director

26 September 2019

INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report to the Members of Dairy Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Dairy Australia Limited (the "Entity") which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by the Directors.

In our opinion, the accompanying financial report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* (the "ACNC Act"), including:

- (i) giving a true and fair view of the Entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

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 Entity in accordance with the auditor independence requirements of the ACNC Act and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

The Directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the Director's Report included in the Entity's annual report for the year ended 30 June 2019, 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 we do not and will 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 on the other information that we obtained prior to the date of this auditor's report, 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 Management and Directors for the Financial Report

Management of the Entity is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC Act and for such internal control as management 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, management is responsible for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

The Directors are responsible for overseeing the Entity's financial reporting process.

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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management and the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



DELOITTE TOUCHE TOHMATSU



Stephen Roche
Partner
Chartered Accountants
Melbourne, 26 September 2019

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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26 September 2019

The Board of Directors
Dairy Australia Limited
Level 3, HWT Tower
40 City Road
SOUTHBANK VIC 3006

Dear Board Members

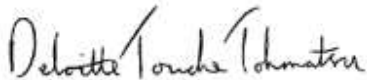
Auditor's Independence Declaration to Dairy Australia Limited

In accordance with Subdivision 60-C of the *Australian Charities and Not-for-profits Commission Act 2012*, I am pleased to provide the following declaration of independence to the directors of Dairy Australia Limited.

As lead audit partner for the audit of the financial statements of Dairy Australia Limited for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Stephen Roche
Partner
Chartered Accountants



Appendices



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OUR FY19 PROJECTS

Strategic Program	Project number	Project name
SP1: Profitable Dairy Farms (Pre-farmgate)		
Animal Health and Fertility	P106	Managing Milk Quality
	P107	Improving Reproductive Performance
	P213	Animal Health and Welfare - On-farm
Genetics and Herd Improvement	P108	Dairy Bioscience – Animal Improvement
	P109	Herd Improvement
Farm Business Management	P240	Farm Business Information
	P241	Farm Business Management Capability
Feedbase and Animal Nutrition	P252	Supporting Practice Change
	P255	Forage Improvement
	P217	Dairy Bioscience – Forages
	P253	Integrated Feedbase RD&E
	P254	Animal Nutrition and Feed Systems
	P264	Dairy Feedbase
AgTech and Innovation	P110	AgTech and Innovation
Land, Water and Carbon	P128	On Farm Nutrient Management
	P130	Climate Change Adaptation
	P132	Improving Water Use Efficiency
SP1: Profitable Dairy Farms (Post-farmgate)		
International Market Support	P219	China
	P229	Japan
	P230	SE Asia
	P232	Other Markets
Manufacturing Innovation & Sustainability	P249	Supporting Manufacturing Innovation and Sustainability
SP2: Capable People		
Regional Extension Service	P103	Regional Development Programs
	P200	Large Supplier Engagement
	P268	Feed Shortage 2018
People and Capability	P207	Attracting and Retaining People
	P203	Workforce Strategy, Planning & Action
	P154	Industry Education
	P260	Farm Safety

Strategic Program	Project number	Project name
SP3: Trusted Dairy Industry		
Consumer & Community Marketing	P265	Effective Brand Management
	P266	Maintaining Public Trust
	P262	Primary Schools Engagement
	P267	Influencer Engagement – Health
	P226	Human Health & Wellness – Partnerships and Engagement
Industry Risk and Reputation Management	P153	Dairy Industry's Sustainability Framework / Strategy
	P177	Managing Supply Chain, Food Safety and Integrity Issues
	P227	Human Nutrition Research & Science
	P233	Policy Support for Improving Animal Health & Welfare
	P259	Technical Policy Support
	P261	Access to Agvet Chemicals
Knowledge & Insights	P237	Market Information and Insights

RECOMMENDED CONDITIONS OF MATCHED AUSTRALIAN GOVERNMENT FUNDING

Australian Government Rural Research and Development Policy Statement

The Australian Government's Rural Research and Development Policy Statement (July 2012) was released in response to reviews of the rural RD&E system by the Productivity Commission and the Rural R&D Council. It sets out eight principles that outline what is expected of RDCs as a condition of receiving government funding.

- **Principle 1**
Invest in an R&D portfolio that appropriately balances long-term and short-term, high-risk and low-risk, and strategic and adaptive research needs (refer section 3.2).
- **Principle 2**
Collaborate, as appropriate, with other RDCs and research organisations in cross-sectoral research (refer sections 2.7, 3.2).
- **Principle 3**
Have in place suitably resourced processes to facilitate timely adoption of research results (refer section 3).
- **Principle 4**
Use government funding solely for R&D and related extension purposes and not for any marketing, industry representation or agri-political activities (refer section 3).
- **Principle 5**
Effectively and transparently communicate with levy payers, industry stakeholders, researchers and the Australian Government (refer annual report and Dairy Australia's Performance Report).
- **Principle 6**
Publish relevant information on the outcomes of completed research projects in a timely manner (refer Dairy Australia's Performance Report).
- **Principle 7**
Ensure that, over time, research programs include research that addresses the needs of levy payers in all regions (refer section 3 and Dairy Australia's Performance Report).
- **Principle 8**
Pursue continuous improvements in administrative efficiency (see section 4).

OUR COLLABORATION PARTNERS

RDCs

AgriFutures
Australian Egg Corporation Limited
Australian Meat Processor Corporation
Australian Pork Limited
Australian Wool Innovation
Cotton Research and Development Corporation
Fisheries Research and Development Corporation
Forest and Wood Products Australia Limited
Grains Research and Development Corporation
Horticulture Innovation Australia Limited
Australian Livestock Export Corporation Ltd
Meat & Livestock Australia
Sugar Research Australia Limited
Wine Australia

Cross-agricultural committees

National Animal Biosecurity RD&E Strategy
National Animal Welfare RD&E Strategy
Animal Health Australia - Industry Forum
Animal Health Australia - Members Forum
Australian Pastures Genebank Steering Committee
Climate Change Research Strategy for Primary Industries
Managing Climate Variability Program
Council of Rural R&D Corporations
Plant Biosecurity Cross-Sector Strategy
Research and Innovation Committee
Soils Cross-Sector Strategy
Water Use in Agriculture Cross-Sector Strategy
Australian Food and Wine International Trade Collaboration Group

Key investment partners

Agriculture Victoria
Austrade
CSIRO
DairyNZ
Department of Agriculture
Department of Foreign Affairs and Trade
Latrobe University
Gardiner Dairy Foundation
NSW Department of Primary Industries
Pastoral Genomics
Pasture Trials Network
Queensland Department of Agriculture and Fisheries
South Australian Research and Development Institute
Tasmanian Institute of Agriculture
University of Melbourne
University of New England
University of Sydney
WA Department of Primary Industries and Regional Development

International collaboration partners

China Dairy Industry Association
Dairy Research Consortium
Global Dairy Platform
Global Sustainability Framework
International Dairy Federation
International Marketing Promotion
Michigan State University (USA)
Sustainable Agriculture Platform
University College Dublin (Ireland)
Teagasc (Ireland)

FINANCIAL CONTRIBUTION TO CROSS-SECTIONAL COLLABORATION WITH OTHER RESEARCH AND DEVELOPMENT CORPORATIONS

Project Name	Collaborating RDCs	DA Contribution \$
More profit from nitrogen: enhancing the nutrient use efficiency of intensive cropping and pasture systems	CRDC, HIAL, SRA	250,000
Enhancing the profitability and productivity of livestock farming through virtual herding technology	APL, AWI, MLA	135,650
Forewarned is forearmed: equipping farmers and agricultural value chains to proactively manage the impacts of extreme climate events	AgriFutures, APL, CRDC, GRDC, MLA, SRA, Wine Australia	50,000
People in agriculture	APL, CRDC, GRDC, MLA	34,530
Lifting farm gate profit through high value modular agroforestry	AgriFutures, FWPA	20,000
Phosphorus Efficient Pastures: delivering high nitrogen and water use efficiency, and reducing costs of production across Southern Australia	AWI, MLA	10,000
Total revenue		500,180

Disclaimer

The content of this publication including any statements regarding future matters (such as the performance of the dairy industry or initiatives of Dairy Australia) is based on information available to Dairy Australia at the time of preparation. Dairy Australia does not guarantee that the content is free from inadvertent errors or omissions and accepts no liability for your use of or reliance on this document. You should always make your own inquiries and obtain professional advice before using or relying on the information provided in this publication, as that information has not been prepared with your specific circumstances in mind and may not be current after the date of publication.

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