



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 2019



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

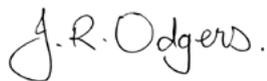
Rounding

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
		\$'000	\$'000
For the year ended 30 June 2019			
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
		\$'000	\$'000
For the year ended 30 June 2019			
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.

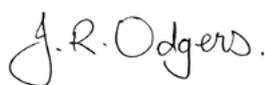
DIRECTORS' DECLARATION

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



Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

26 September 2019

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

Dear Board Members

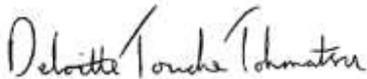
Auditor's Independence Declaration to Dairy Australia Limited

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

