



Dairy
Australia

Annual Report

2021/22

DELIVERING
for **DAIRY**



Our vision

To be a leader in shaping a profitable and sustainable dairy industry.

Our values

Farmer first

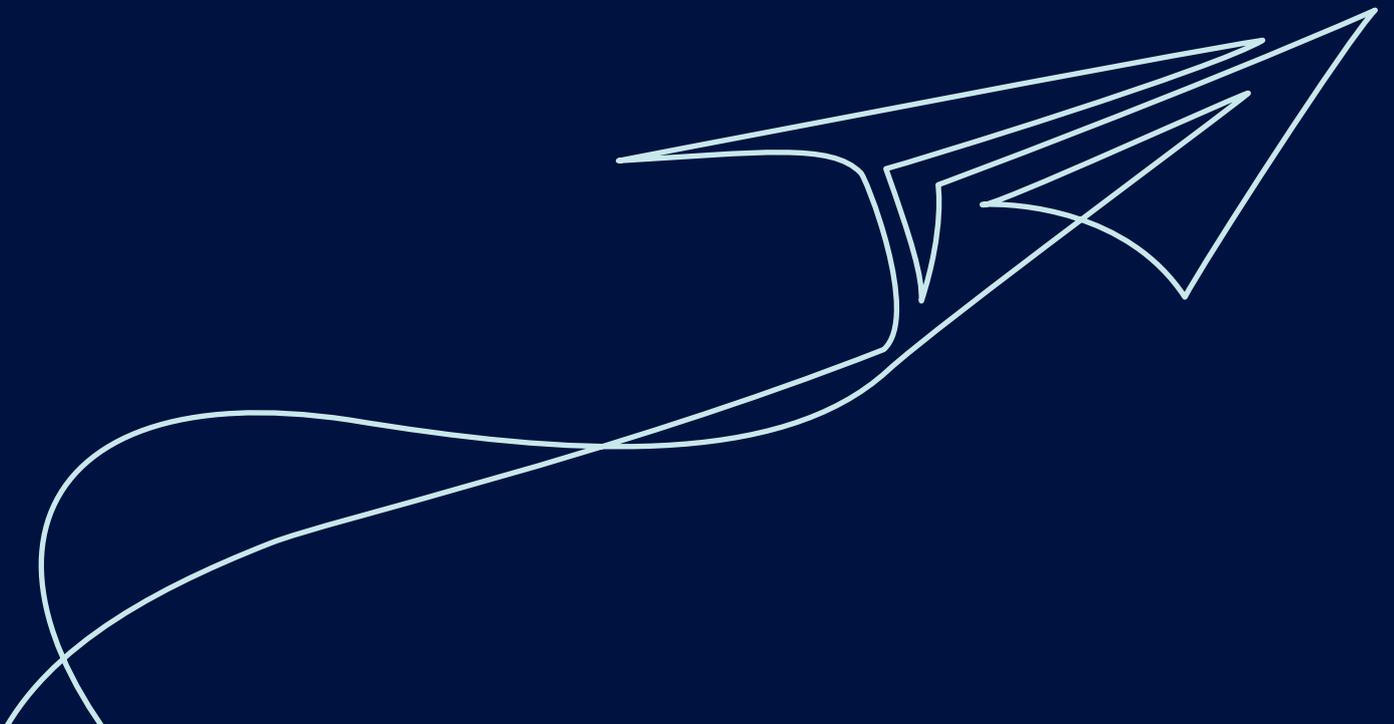
Decisive action

Innovative thinking

One team

Our purpose

To provide services that benefit and advance dairy farm businesses and the industry, including investments in research and innovation, learning and capability development, marketing, policy research, market insights and trade development.



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Dairy Australia

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The Performance Report for 2021/22 should be read in conjunction with this Annual Report 2021/22

Message from the Chair



This has been a challenging yet productive year for Dairy Australia.

The Dairy Levy Poll was held earlier this year and farmers voted to keep the levy the same. During the lead up to the poll, we undertook an extensive consultation process with farmers across the country. The feedback we received will sharpen our focus on projects and initiatives to support farmers and the industry's eight dairying regions.

Australian dairy farmers have experienced a year of high farmgate milk prices, driven by stiff competition for milk among processors. Demand for dairy in the domestic market remains strong, and a reduced global milk pool also presents export opportunities. For many farmers this environment has created opportunities to improve the profitability of their farm business.

Partnerships and collaboration are integral to the work of Dairy Australia.

This year we strengthened our partnership with Gardiner Dairy Foundation and Agriculture Victoria on the DairyBio initiative. This is the first year of a new five-year investment to use bioscience to improve pastures and dairy herds.

Another key partnership this year has been our work with NSW industry partners, including the University of Sydney and NSW Department of Agriculture on DairyUP. This project aims to help farmers maximise productivity and the potential of their dairy business.

Weather conditions have been mixed this year. Much of the country avoided the extremes, but serious floods in NSW and Queensland caused structural damage to some farms. It remains to be seen how this affects the region over the medium term. In response to the floods, our regional teams coordinated with government response teams to support dairy farmers.

COVID-19 remained an issue for the broader community and the industry. I believe the dairy industry has navigated the pandemic well – milk continued to be produced and processed, and there has been an uninterrupted supply of dairy products for consumption and export.

Workforce shortage is now our number one concern. Dairy Australia has developed initiatives to attract workers to dairy and help farmers refine their people and business skills to retain staff. We work with the industry and governments to deliver programs that address workforce issues.

This year, we developed an extensive suite of resources to support farmers to safeguard their businesses against the risk of Foot-and-mouth disease and Lumpy skin disease. These diseases are not in Australia but are of concern due to outbreaks in Indonesia.

We work with the industry on national and global sustainability challenges. We were one of the first industries to create a national framework for sustainability in 2012. This year, the Australian Dairy Sustainability Framework celebrated its 10-year anniversary. We continue to support the framework and its current priorities.

Finally, thank you to my fellow directors, the Leadership Team and Dairy Australia's committed employees for their ongoing contribution. I would like to recognise Professor Paul Wood and Josephine Rozman who are retiring from the Board this year. I thank them for their contribution and commitment to Dairy Australia.

Two new directors will be standing for election at our Annual General Meeting on 23 November. This meeting is an opportunity to hear more about our achievements and future plans, and for members to vote in the director elections.

I hope to see you there.

A handwritten signature in dark ink that reads "James D. Mann." The signature is written in a cursive, slightly slanted style.

James Mann Chair

Message from the Managing Director



Dairy Australia continued to provide a wide range of services to the industry this year.

It was particularly pleasing to resume face-to-face events in areas where they had been restricted for the best part of two years. It is also a credit to our research partners that they continued active research programs in the face of significant restrictions.

Flagship programs focus our efforts and engagement with farmers. There are many success stories and positive feedback from our major farm business planning initiative, **Our Farm, Our Plan**. This is much bigger than a course; it is a two-year supported program to drive business success and help farmers achieve their personal goals.

Major investments in dairy genetics and herd improvement through DataGene Ltd continue to deliver very large benefits to dairy farmers. The permanent and cumulative gains that genetics can deliver now happen at a much more rapid rate. Coupled with improvements in the prediction of fertility, this has dramatically turned around past events where fertility of the national herd declined.

Confidence to consume dairy is a real strength of the industry, bucking trends in many other countries. Investments to retain and build this confidence are important. In the past year, there has been groundbreaking research published about the role of dairy in an aging population. Results showing that increased dairy consumption reduces falls and bone fractures in older people are truly dramatic. It is time to re-think diets in aged care settings and for older Australians living in the community.

Increased consumer support for Australian dairy products spiked in the early stages of the COVID-19 pandemic. We have sought to amplify this support in the past two years through marketing campaigns to **Buy, Support, Enjoy Aussie Dairy**. Strong community support is a cornerstone of a successful industry.

More farmers are considering major capital expenditure on-farm and a highlight of this year was the **Raising the Roof** workshop in northern Victoria. New economic and risk analyses and new tools to support investment

decisions has led to more informed and better decisions by farmers. We expect more capital expenditure and enhanced feeding and housing infrastructure to continue and be a bigger part of the industry.

Research and development investments have delivered new knowledge in irrigation management, automatic milking, genetic improvement of plants and animals, feeding in early lactation and remote measurement of pasture.

The dairy industry needs more people in every region and in a broad range of roles. This has been the biggest topic of discussion about future investment and the sustainability of dairy businesses. Investments included pilot projects and, quantification of labour requirements, building towards a large and diversified investment that commenced in spring 2022.

Export markets remain a strong focus as an important value generator for the Australian milk pool. The **Thrive Together** trade campaign is our partnership with the Victorian Government to strengthen the international profile of Australian dairy in key Asian markets. It is the first initiative of its kind and gives the Australian dairy industry a unique brand and messaging platform for international markets, with a clear value proposition and information on key topics.

The Levy Poll discussions with members provided valuable feedback on current issues of concern. As an organisation that puts farmers first, we have used this feedback to make decisions about investments in the coming year.

I would like to recognise the talented people of Dairy Australia, based in every state and in every dairying region, and their dedication to improving the profitability and sustainability of the dairy industry. People are at the heart of everything we do and the interactions between our people, farmers and the wide range of people involved in the dairy industry are what continues to drive our success.

A handwritten signature in black ink, appearing to read 'D Nation', written over a white background.

David Nation Managing Director



Key achievements 2021/22

Dairy Australia invested \$64 million in projects, services and activities across our seven strategic priorities in 2021/22.

The following pages outline some key achievements this year.



Farm business management

Enhanced the business planning program, **Our Farm, Our Plan**, with 404 farmers participating. The program was a finalist in the 2022 International Dairy Federation Innovation Awards.



Extension activities

Provided 627 **extension activities** to over 10,000 attendees across Australia to support farm businesses. Activities were delivered in person by regional teams, online or in a blended delivery mode.



Intensive feeding systems

Brought together 220 farmers and service providers to explore **investing in and operating dairy systems** using housing infrastructure, at the Raising the Roof event in northern Victoria.



Building workforce skills

Supported 113 farm business leaders to **build the capability of new workers** through the new Employment Basics program.



Summer forages

Finalised the multi-year **C4 Milk research** project which examined feedbase practice changes to improve margins where C4 forages are used in subtropical and other regions for dairy production.



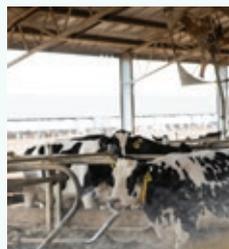
Forage analysis

Supported the **Unlocking the Potential of Kikuyu** grass project, part of the **NSW DairyUP** program, to establish study sites on 14 commercial farms in New South Wales with multi-year study activities in progress.



Herd fertility

Continuing to **monitor national herd fertility** and now observing a significant turnaround where decline has plateaued. Ongoing research and training in herd fertility remains a high priority.



Reducing heat stress

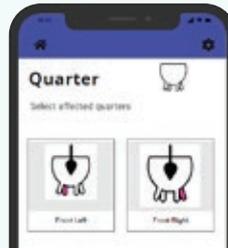
Explored feed options through the **Dairy Feedbase Feeding Cool Cows** project to lower the risk of heat stress. This included the role of chicory, fat supplements, altered fibre percentage and additives such as Betaine.





Genomics programs

Delivered the **Heifer Genomics** project to build, pilot and implement three new extension options: Genomics at a Glance, Genomics in Practice and Genomics in Action.



Diagnostic tools

Developed the **Clinical Mastitis Treatment Decision Tool** to assess commercially available, point-of-care, mastitis diagnostic tests and better understand their use and limitations within Australian dairying systems.



Water management

Delivered the **Smarter Irrigation for Profit 2** project, which concluded this year. Participants indicated a very strong willingness to take up technologies for soil moisture monitoring and irrigation system evaluation.



Milking system performance

Worked with the NSW Department of Primary Industries on the **Milking Edge** project to develop and pilot eight learning modules, which enables farms to optimise the performance of automatic milking systems.



Farm performance

Completed a comprehensive report on the **Australian dairy industry's farm productivity**, including a comparative analysis with the USA dairy industry.



Impact assessment

Conducted impact assessments on two recent investments, the **Improving Reproductive Performance** and the **Forage Value Index** projects. Both projects had strong returns for farmers.



Biosecurity

Reviewed the **dairy biosecurity response manuals** with the broader industry. This work is critically important due to the threat posed by Foot-and-mouth disease and Lumpy skin disease.



Information for investors

Provided 13 key industry investors insights around critical factors driving **successful farm-based investments** through the Australian Dairy Investment Program.



Fractures research

Leveraged the **Fractures Trial**, which found a daily increase of dairy in the elderly, from an average of two serves to three-and-a-half serves, led to a 33% reduction in all fractures (46% in hip fractures) and 11% reduction in falls.



Industry marketing

Promoted the taste and use of dairy through a national **Buy, Support, Enjoy Aussie Dairy** campaign on TV, radio and digital advertising channels. Approximately 40% of the target audience could recall the campaign, and 66% incorporated more dairy into their diet.



Education in schools

Reached over 500,000 students and educators through **school education programs** and initiatives – Picasso Cows, Discover Dairy online curriculum hub, virtual classrooms, and a partnership with Life Education Australia.



Sustainability Framework

Facilitated the ongoing development and implementation of the Australian dairy industry's **world-leading sustainability framework** which celebrated its 10-year anniversary this year.



Sustainable packaging

Worked with industry to develop a **packaging roadmap** so that all dairy packaging is reusable, recyclable and compostable by 2025, as per government targets.



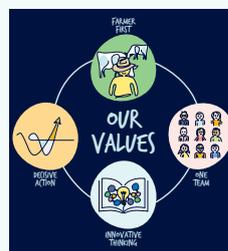
International markets

Launched the **Thrive Together** trade messaging campaign in partnership with the Victorian Government to strengthen the international profile of Australian dairy in key Asian markets.



Export connections

Provided potential Australian dairy exporters with **new induction resources** as a more tailored and easier way to expand into high value international markets.



Our values

Ongoing action to embed our organisational Values to **enhance our delivery to farmers** and the industry – farmer first, decisive action, one team and innovative thinking.

The Dairy Australia Annual Report 2021/22 and complete Performance Report 2021/22 is available on the dairyaustralia.com.au website.





Our approach to sustainability

Dairy Australia shares the industry's commitment to addressing emerging sustainability issues. We want to keep dairy in business for the long term and improve the industry's resilience to sustainability challenges, including climate change.

Dairy Australia provides the secretariat for the Australian Dairy Sustainability Framework. We play an integral part of the industry's sustainability commitments, helping to develop and implement the framework.

Celebrating 10 years

The **Australian Dairy Sustainability Framework** celebrated its 10th anniversary this year.

The framework sets out the industry's commitment to addressing emerging sustainability issues.

The Australian dairy industry recognises it has a role to play in Australia's contribution to international sustainable development goals and intends to be an integral part of national and global effort to address the world's biggest sustainability challenges.



**ENHANCING
ECONOMIC VIABILITY
AND LIVELIHOODS**

Creating a vibrant industry that rewards dairy workers and their families, communities, business and investors



**IMPROVING
WELLBEING
OF PEOPLE**

Providing nutritious, safe, quality dairy food



**PROVIDING
BEST CARE
FOR ANIMALS**

Striving for health, welfare and best care for our animals throughout their lives



**REDUCING
OUR ENVIRONMENTAL
IMPACT**

Meeting the challenges of climate change and providing good stewardship of our natural resources

Key facts about Australia's dairy industry



DAIRY IS AUSTRALIA'S THIRD LARGEST RURAL INDUSTRY

3rd

TOTAL ANNUAL MILK PRODUCTION

8,554

million litres

VALUE OF FARMGATE PRODUCTION

\$4.9
billion



ANNUAL PRODUCTION OF MAIN COMMODITIES

408,246 tonnes

Cheese

79,436 tonnes

Butter

192,623 tonnes

Milk powders

NUMBER OF DAIRY FARMS

4,420

AVERAGE HERD SIZE

303
COWS



DAIRY INDUSTRY WORKFORCE

34,700

ANNUAL PER CAPITA CONSUMPTION

15 **93**
kg cheese litres of milk



AUSTRALIAN MILK USE

40% Cheese

3% Whole milk powder

30% Drinking milk

8% Other

19% Skim milk powder or butter

MILK PRODUCTION EXPORTED

36%

MAJOR EXPORT MARKETS

280,649 tonnes
China

80,869 tonnes
Singapore

59,147 tonnes
Indonesia

68,373 tonnes
Japan

63,600 tonnes
Malaysia



About us

Dairy Australia's services benefit and advance dairy farm businesses.

We work towards shaping a profitable, sustainable dairy industry.

Our investments

Dairy Australia invests in:

- research and innovation
- support for farm business management
- responding to events such as drought, bushfires, floods or COVID-19
- developing tools that support farmers adapt to the environment and address climate
- support for on-farm employment needs
- marketing of dairy products
- an industry sustainability framework
- policy research
- industry insights
- delivering international market programs.

Our regional model

Dairy Australia's work and investment is focused on services, connections and engagement with farmers throughout the dairy regions in Australia.

Our national programs, research outcomes and regionally tailored services are available to farmers and dairy communities through our regional teams.

These teams are based at worksites across Australian dairy communities including Gippsland, Murray/northern Victoria, New South Wales, South Australia, Subtropical, Tasmania, Western Australia and Western Victoria.

Our partnerships

We work closely with other stakeholders to advance the interests and sustainability of the Australian dairy industry.

We partner with farmers, industry, government and research organisations in our activities. Some of our key partners include Australian Dairy Farmers, state dairy farmer organisations, Australian Dairy Products Federation, the Gardiner Dairy Foundation, the Commonwealth and state governments, universities and research organisations, Regional Development Boards and other Rural Research and Development Corporations.

How are we funded?

We are funded by levies paid by dairy farmers and matching payments received from the Commonwealth Government for eligible research and development activities.

Our core funding also allows us to attract further funding for key programs of work. We work closely with farmers and other important stakeholders to deliver services to benefit dairy farmers and protect the right to farm.

More information about how we spend our funding is included on **page 14**.

Dairy Australia is committed to investing in innovative ways to increase the profitability and sustainability of dairy farms across Australia.

Strategic priorities

Our priorities and key outcomes are set out in our Strategic Plan 2020–25. This is the second year of our plan.

Our strategy describes our priorities and the outcomes we will deliver over five years with six priorities that contribute to delivering improved profitability for farmers and a more sustainable dairy industry, and a seventh priority that focuses on our organisational performance. This strategy aligns with the Australian Dairy Plan, a whole of industry plan.

Each priority is underpinned by a goal and key outcomes. Priorities and goals are set out below. For more information about the outcomes, see the **strategic framework** section of our website.

Progress against strategic outcomes is measured and reported annually through the companion publication to this document, our Performance Report 2021/22. Each year we review the strategy and our activities and set goals for the coming year, which are set out in our **Annual Operating Plans**.

Dairy Australia’s strategic priorities and goals 2020–2025

<p>Priority 1</p> <p>MORE RESILIENT FARM BUSINESSES</p> <p>Farm businesses that are more profitable, resilient and innovative in managing price and cost volatility</p> 	<p>Priority 2</p> <p>ATTRACT AND DEVELOP GREAT PEOPLE FOR DAIRY</p> <p>Attract great people to the dairy industry, build their capability and careers and foster a safe work culture</p> 	<p>Priority 3</p> <p>STRONG COMMUNITY SUPPORT FOR DAIRY</p> <p>Enhanced trust and value in the Australian dairy industry, farmers and products</p> 	<p>Priority 4</p> <p>THRIVE IN A CHANGING ENVIRONMENT</p> <p>Profitable farm businesses that adapt to the changing natural environment and provide good stewardship of resources</p> 
<p>Priority 5</p> <p>SUCCESS IN DOMESTIC AND OVERSEAS MARKETS</p> <p>Improved access to high-value dairy markets, backed by trusted market insights and a favourable regulatory and policy environment</p> 	<p>Priority 6</p> <p>TECHNOLOGY AND DATA-ENABLED DAIRY FARMS</p> <p>Inspire more agile and responsive dairy businesses through greater integration of technology and data</p> 	<p>Priority 7</p> <p>INNOVATIVE AND RESPONSIVE ORGANISATION</p> <p>An organisation that is farmer-focused, with talented people who embrace innovative thinking and decisive action</p> 	

Our funding

Our revenue is obtained primarily through the Dairy Service Levy and Commonwealth Government funding for eligible research, development and extension activities.

Dairy Service Levy

The Dairy Service Levy is deducted by milk processing companies from payments made to farmers for their milk. The money is remitted to the Commonwealth Government and allocated to Dairy Australia. The rate of milk levies in 2021/22 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 4.7221 c/kg milk solids.

Commonwealth funding

A Statutory Funding Contract with the Commonwealth Government sets out the terms under which eligible investments of Dairy Australia for research and development activities may be funded up to 50 per cent by the Commonwealth Government. Matching income is based on maximum claimable amounts and is calculated on the gross value of production averaged over three years. Dairy Australia is eligible to claim matching income to the lower of 0.5 per cent GVP or 50 per cent of eligible RD&E spend.

In 2021/22, approximately 65 per cent of our expenditure was directed towards activity that qualified as research, development and extension (RD&E) under the government matching funding criteria.

The Commonwealth's contribution for research and development reflects the benefits agriculture, including dairy, make 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 for 2021/22

	\$'000	%
Dairy Service Levy	30,836	48.6
Government matching income	22,639	35.6
External contributions	9,002	14.2
Interest revenue	6	0.0
Distribution from investments	239	0.4
Royalties	9	0.0
Other income	776	1.2
Total revenue	63,507	100

Our approach to investments

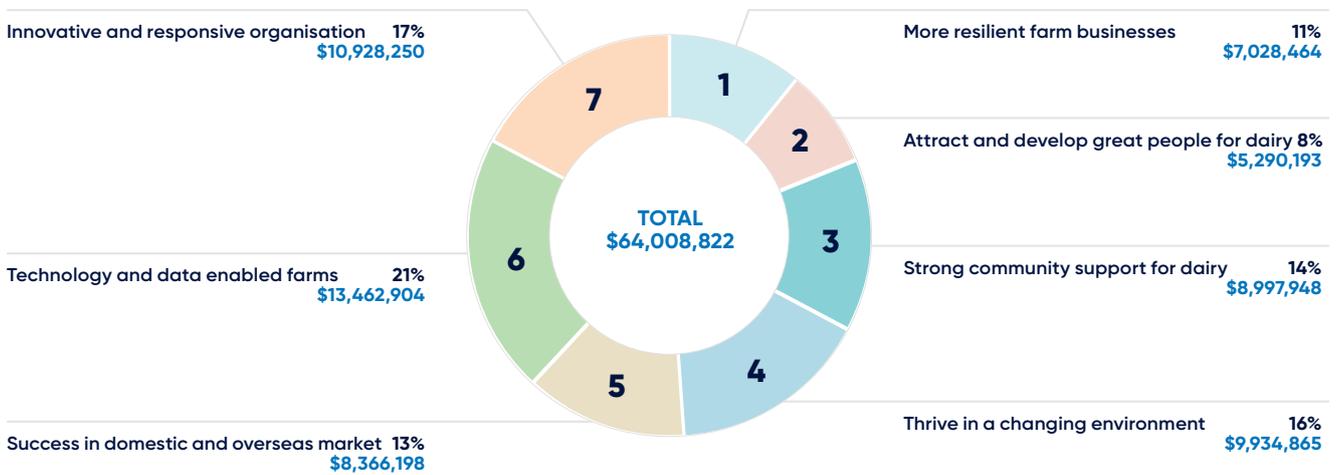
We maintain a balanced portfolio of RD&E investments. We invest:

- Over different investment time horizons in both long-term and short-term initiatives.
- In response to critical short-term issues e.g. feed shortage and in more strategic initiatives.
- After thorough consideration of the project costs, benefits (benefit-cost ratio) and risks.
- To maximise other industry funding and manage our risks i.e. with universities, Agriculture Victoria and the Gardiner Dairy Foundation.
- In projects that consider RD&E activities and recognise the importance of delivering successful research and programs to the industry.
- In projects with other Research and Development Corporations (RDCs) to address agricultural industry issues.
- Strategically to achieve long-term benefits for the dairy industry.

Our funding allocations

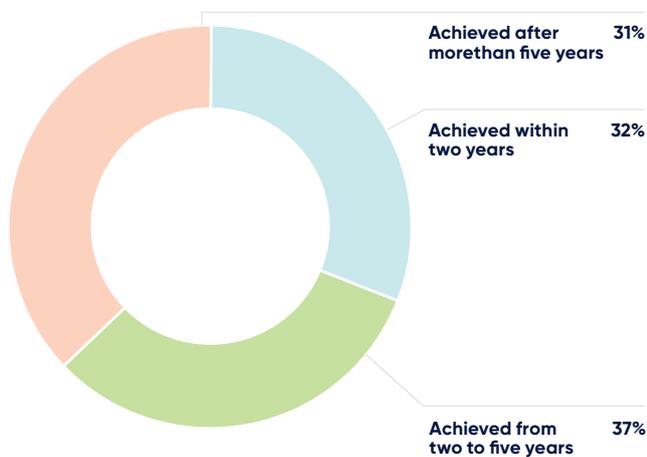
Investment across our Strategic Priorities

The following graph shows our investments according to our Strategic Priorities.



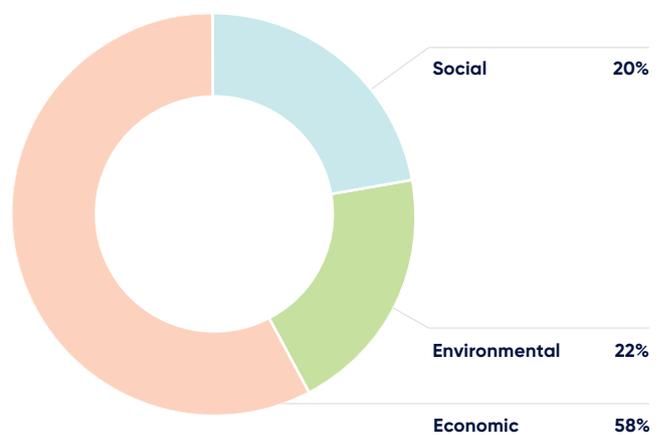
Time horizon to achieve project benefits

Each investment has a projected time frame in which to realise benefits, shown in the graph below.



Triple bottom line allocation

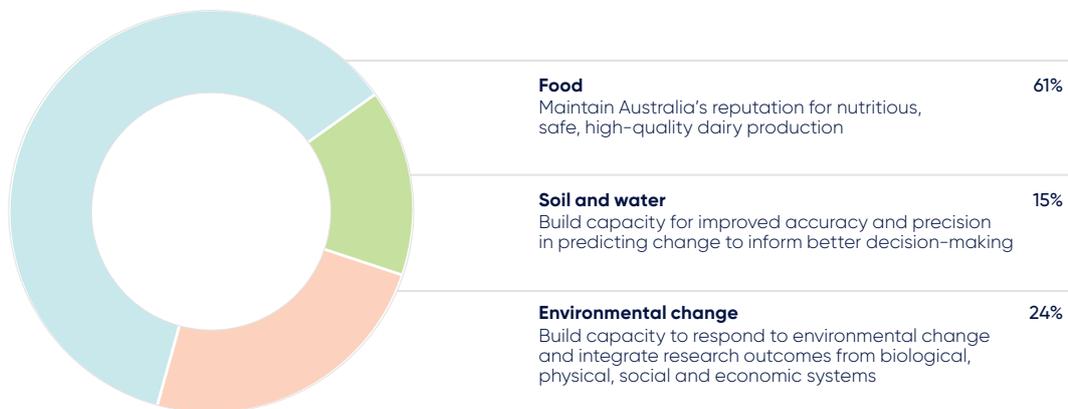
Our investments can be divided into the three triple bottom line categories.



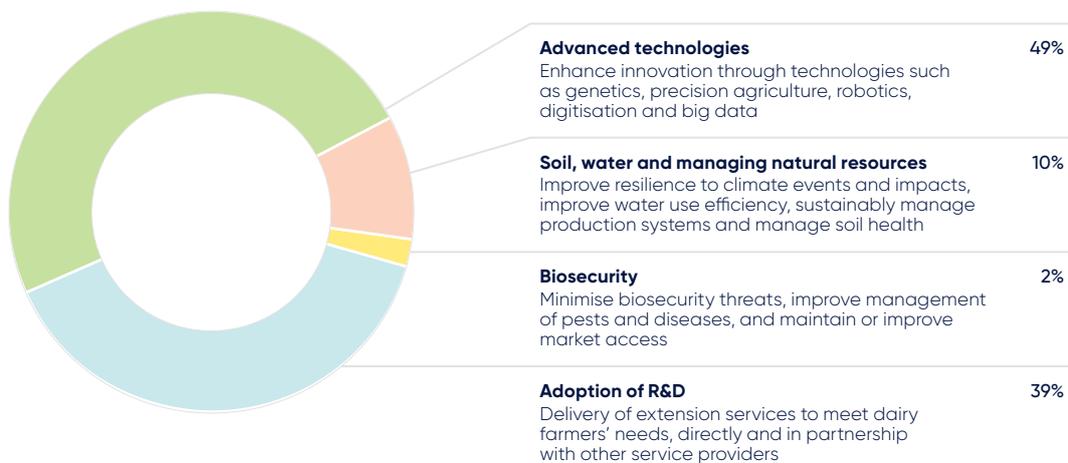
Australian Government Research Development and Extension Framework

Our investments support the achievement of the government's Science and Research Priorities, and the Rural Research, Development and Extension priorities. The percentages of our investments in these two areas are shown in the graphs below.

Science and research priorities



Rural RD&E priorities





Collaborative investment

We collaborate with Australian and international partners to deliver innovation projects that promote the productivity and sustainability of the Australian dairy industry and opportunities for global trade.

Our partners include universities, the Commonwealth and state governments, Research, Development and Extension (RD&E) organisations, agricultural industry agencies, commercial agricultural companies, non-government organisations and Cooperative Research Centres.

Some of our collaboration partners have been mentioned in the summary of our key achievements in the previous section. Our Performance Report 2021/22 provides more details on each of our projects.

Collaboration with partners

Dairy Australia works with partners to collaborate on projects, activities, and policy in all regions.

Below are some examples of our collaboration. A more comprehensive overview of our projects and partnerships can be found in our Performance Report 2021/22.

The **Gardiner Dairy Foundation** is a key partner of Dairy Australia. It invests in research and development, people and community development, industry engagement and strategic support to benefit the Victorian dairy industry and dairy communities.

DairyBio and **DairyFeedbase** projects are long-term, joint initiatives of the Gardiner Dairy Foundation, Dairy Australia and Agriculture Victoria. These projects use science, research and technology to improve on-farm profitability.

DairyFeedbase is the dairy industry's leading innovation program designed to revolutionise feedbase management on Australian dairy farms. **DairyBio** aims to improve the cost competitiveness of the dairy industry through improved pastures.

Dairy Australia also works in partnership with the Gardiner Dairy Foundation on other projects, including **Our Farm, Our Plan** which helps farmers identify long term goals, improve business performance and manage volatility.

In its second year **DairyUP** has a focus on unlocking the potential of milk, cow and water to de-risk the dairy industry, develop new markets and increase productivity and profitability of the dairy industry.

Dairy Australia is one of the four key delivery organisations for this project, based in New South Wales. The other three are the **NSW Department of Primary Industries**, the **University of Sydney** and **Scibus**.

growAG is an innovation gateway to Australia's agrifood innovation system.

A collaboration between the **Department of Agriculture, Water and Environment** (DAWE) and the 15 research and development corporations, growAG showcases world-leading agricultural research, unique technologies, and commercialisation opportunities in one location.

growAG's connect project initiators with investors, corporates, start-ups, researchers, industry, government, and universities (domestic and international) through their website.

Dairy Australia provides an updated list of projects to growAG twice yearly to help showcase our technical team and our breadth of work.

Dairy Australia also works with research partners such as the Tasmanian Institute of Agriculture, NSW Department of Primary Industries, Queensland Department of Agriculture and Fisheries and Agriculture Victoria Research.

For a full list of our collaboration partners, see **page 80** of this report.

Emerging National Rural Issues forum

The Emerging National Rural Issues forum (ENRI) is a program led by **AgriFutures Australia** to explore emerging Australian agriculture issues and invest in research to inform and improve policy debates. ENRI is a forum where research and development corporations, the **National Farmers' Federation** and DAWE, can identify cross-sectoral issues and areas for collaboration.

Dairy Australia contributes funding and in-kind support to projects that deliver value to the dairy industry and has a representative on the ENRI steering committee.

Drought Resilience Adoption and Innovation Hubs

Eight regionally focused hubs, representing key agricultural and climatic zones across the country, were set up by the Commonwealth Government in early 2021.

The hubs are intended to support agricultural industries and communities to adapt, reorganise and transform so they are more resilient to future droughts.

Dairy Australia's involvement has been to identify collaboration opportunities that are relevant to dairy. Although only four hubs have dairy applicability, our regional teams continue to investigate opportunities.



National Agricultural Innovation Agenda

Dairy Australia is committed to supporting cross-industry collaborations that focus on finding solutions to issues of national importance that will benefit the Australian agricultural industry.

In April 2022, the Commonwealth Government adopted the National Agricultural Innovation Agenda which has identified four priority areas for Australia's Agricultural Innovation system to address by 2030:

- trusted exporter of premium foods and agricultural products
- champion of climate resilience to increase productivity profitability and sustainability of the agricultural sector
- world-leader in preventing and responding to significant pests and diseases through future-proofing Australia's biosecurity system
- mature adopter, developer, and exporter of digital agriculture.

Dairy Australia is an active participant of the Agricultural Innovation Australia member forum. In 2021/22 we committed \$250k to key initiatives and will continue our support in 2022/23.

Our people

Our team at Dairy Australia is committed to our values: farmer first, one team, innovative thinking and decisive action.

We strive for a working environment where people are empowered, challenged and supported to deliver their best work.

The working environment

Through the COVID-19 pandemic our teams adapted to new working arrangements.

During that time, we focused on maintaining team connections and collaboration, building resilience and providing programs to support our teams.

We know that our teams value a work-life balance achieved by a flexible, hybrid working model. We also recognise that our collective organisation benefits when staff come together, as it helps build and maintain a deeper connection to our purpose and culture.

A hybrid approach to work is here to stay at Dairy Australia. We will continue to develop and maintain a positive culture that gives our employees the opportunity to do their best work.

We have developed and refined our flexible working guidelines to deliver:

- a broader talent pool, yielding greater diversity of thought and experience
- improved ability to provide internal career opportunities
- retaining key staff that have chosen to relocate either via necessity or choice
- greater engagement and motivation of our current workforce.

Employee feedback

Employee engagement is central to our ongoing success.

In the most recent employee feedback survey held this year, employee engagement was up 5 per cent to over 70 per cent. This is an increase from the results in 2020, where employee engagement was 66 per cent.

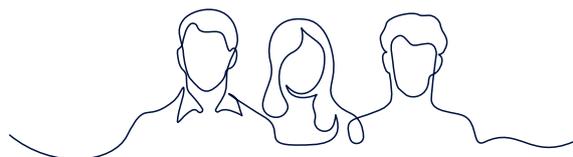
The survey also found that more than 90 per cent of employees know our values, understand what they mean, and believe our values are right for our organisation.

This year we started work on a range of exciting and highly anticipated employee initiatives planned for next year. The initiatives are designed to develop and retain staff in the new working environment, and include a competency framework, a leadership development program, a new Workplace Health and Safety framework and the promotion of diversity and inclusion.

Our workforce

Our workforce spans eight regions, with a central office in Melbourne. Together we provide services to farmers across the country. Many of our team members live and work in regional areas and are part of local farming communities.

Seventy-three per cent of Dairy Australia's workforce are women and 63 per cent of the executive level are women.



191

people

178

full-time equivalent



Leadership team

Dairy Australia has a skilled and experienced leadership team led by Managing Director, David Nation. Our leadership team provides strategic direction and manages our investments, priorities and goals in our strategic and operational plans. The leadership team manages our day-to-day operations. The organisation works collaboratively, is focused on our measures of success and delivers the outcomes linked to our strategy.



With over 25 years' experience in dairy, David has a comprehensive understanding of industry issues and operations. He has a doctorate in agricultural science and has held commercial and technical roles in animal breeding and herd fertility service industries. He has also led dairy innovation projects. Before joining Dairy Australia, 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
Appointed 2018



Kendra is responsible for industry marketing, corporate and farmer communications, digital experience and design. She has over 20 years' experience in marketing, corporate communications and public relations. Her previous roles include Marketing Manager of Coles Express, and General Manager Marketing and Group Corporate Communications Manager with Bakers Delight Holdings. Kendra's extensive experience covers marketing, brand management, digital communication, public relations, media relations, stakeholder engagement and issues management.

Kendra Campbell General Manager – Marketing and Communications

BBus (Marketing)
Appointed 2017



Helen is responsible for sustainability, food safety and integrity. She has worked with the CSIRO, the Australian Dairy Industry Council and the Australian Dairy Products Federation. Helen is experienced in research, development and extension strategies, issues management, supply chains, regulatory standards and policy frameworks. She has worked on the International Dairy Federation/Food and Agriculture Organisation guides, the Global Dairy Sustainability Framework and the Sustainable Agriculture Initiative.

Helen Dornom General Manager – Sustainability

BAgrSc, GAICD
Appointed 2008



Verity leads our regional teams and Regional Development Program boards. She has worked in government, industry and the corporate sector with experience in leadership, consultancy, extension, project management, boards and rural business management. Verity has served on private company and industry boards as a director and executive, and combines strategy and action to deliver results. With a farming background, Verity understands farm businesses and rural communities.

Verity Ingham General Manager – Regional Services

BAppSci (Ag) GradDip (Ed), GAICD
Appointed 2019



Greg leads the team that invests in research, development, extension activities and education to support the profitability, sustainability and competitiveness of Australian dairy farmers. He has over 20 years' experience in agriculture, covering operations, innovation, growth, finance, people and capability development. Greg held management roles with Costa Group, Nutrano Produce Group and Hancock Natural Resource Group. As a past chair of Raspberry and Blackberries Australia, he oversaw the creation of a combined berry peak industry body.

Greg Jarman General Manager – Farm Profit and Capability

BAppSci (Hort) MBA
Appointed 2021



Imogen is a human resources professional with over 12 years' experience. She has worked in diverse industries including engineering, consulting, media/technology and property development. Imogen brings specialist experience in employee relations, human resources technology and analytics and has a keen interest in talent management. Previous roles include managing the HR function at Caydon Property Group.

Imogen McBain General Manager – Human Resources

MCom (HR) BAppSc (Psychology)
Appointed 2018



Charlie leads the Trade and Industry Strategy team which is responsible for facilitating profitable international trade for Australian dairy products. His team provides information, analysis and market intelligence to the Australian dairy industry. Charlie has extensive experience in the agriculture and food sector in policy, advocacy and analysis of market dynamics. Before joining Dairy Australia, Charlie was the General Manager of Policy with the National Farmers Federation.

Charlie McElhone General Manager – Trade and Industry Strategy

BAgrEc, GDip (International Business), MBA, GAICD
Appointed 2012



Elizabeth leads the team that delivers strategy, corporate planning, the Portfolio Management Office, change management, finance, information technology, legal and knowledge. With more than 30 years' experience, Elizabeth has held senior management and corporate advisory roles including at KPMG and Lander & Rogers. She has been a corporate finance director and chief operating officer, served as a director on multiple boards, and chaired audit and risk committees.

Elizabeth Parkin General Manager – Business and Organisational Performance

BBus, FFin, CAANZ, FINSIA
Appointed 2017



Corporate governance

We are committed to an effective system of corporate governance to transparently demonstrate our performance and accountability to members, levy payers, government and other stakeholders.

The framework

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

- Dairy Australia's Constitution
- *Dairy Produce Act 1986* (Cth)
- *Corporations Act 2001* (Cth)
- *Australian Charities and Not-For-Profits Commission Act 2012* (Cth)
- Statutory Funding Contract with the Commonwealth of Australia

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.

Membership

There are two classes of members under the Constitution:

- 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.

Statutory Funding Contract

The Statutory Funding Contract (SFC) has a 10-year term expiring in June 2031. Under the SFC, the Commonwealth agrees to pay Dairy Service Levy funds collected from dairy farmers to Dairy Australia, together with government matching payments in relation to eligible research and development activities undertaken by Dairy Australia. The SFC also outlines the performance principles that Dairy Australia must meet which include:

- stakeholder engagement to identify research, development and extension priorities and activities that provide benefits to the dairy industry
- ensuring RD&E priorities and activities (and marketing activities) are strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a balanced portfolio
- undertaking strategic and sustained cross-industry and cross-sectoral collaboration that addresses shared challenges and draws on experience from other sectors
- having in place governance arrangements and practices to fulfil legislative requirements and align with contemporary best practice for open, transparent and proper use and management of funds
- demonstrating positive outcomes and delivery of RD&E and marketing benefits to levy payers and the Australian community in general, and showing continuous improvement in governance and administrative efficiency.

The Statutory Funding Contract and the Constitution are available at dairyaustralia.com.au.

Independent Performance Review

Before entering into the current funding contract with the Commonwealth, an independent review of Dairy Australia's performance was required and completed in January 2021.

The review report noted "... the overall finding of this independent review is very positive. Dairy Australia is an effective, outcomes focused organisation with a strong service culture to the Australian dairy industry.

It is managed by professional people who seem to care about what they do. There is strong and appropriate governance and a healthy focus on continuous improvement of structures, systems and processes."

The review also identified key improvement recommendations which were disclosed in the 2020/21 Annual Report. An update on Dairy Australia's implementation of these recommendations is provided below.

Independent Performance Review key improvement actions

Item/theme	Recommendation	Status as at June 2022
1. Business systems and processes – Striking the right balance	The Leadership Team continue to monitor the development and implementation of company systems and processes with an eye to optimising the value-add that they provide through the right balance of rigour and responsiveness.	<p>Actions completed for 2021/22.</p> <ul style="list-style-type: none"> • The Leadership Team continues to review the impact of improving business systems and striking the right balance. • A significant improvement in the past year is to improve the way new projects are initiated, improving both rigour and responsiveness.
2. Business systems and processes – Board reading material	The Board continue to work with management to reduce the amount of compulsory reading within the Board meeting papers to ensure that the Board's time is used to the greatest value to the organisation.	<ul style="list-style-type: none"> • Actions completed for 2021/22.
3. Australian Dairy Plan (ADP) – Focus on the mandate	The Board and Managing Director monitor Dairy Australia's continued engagement in the Australian Dairy Plan to ensure it doesn't create too great a distraction away from core business or is not creating excessive workloads for key personnel. Corraling the impact of the ADP on the organisation through specific responsibilities for it within the company structure would seem appropriate. Having a plan to manage the extra workload and potentially bringing in outside contractors to help with key tasks, may also be valuable.	<ul style="list-style-type: none"> • Actions completed for 2021/22. • This workload has significantly reduced and is manageable, ensuring no significant distractions from Dairy Australia's core business.
4. Australian Dairy Plan – Expectations about industry structures	The expectations about the future of industry representation need to be proactively managed. A sustained, consistent communication campaign around dairy reform is important for transparency to industry and to manage expectations and needs to be delivered with strong spokespeople from relevant industry bodies. It needs to be clear to levy payers that this is an industry initiative and not one of Dairy Australia alone.	<ul style="list-style-type: none"> • Action completed for 2021/22. • Australian Dairy Plan progress reports provide regular updates. • Australian Dairy Farmers' President continues to be the key spokesperson on reform.

Item/theme	Recommendation	Status as at June 2022
5. Dairy Farmer Communications – Seeking continuous improvement	Dairy Australia continues to maintain a high level of attention and effort toward communicating effectively with dairy farmer levy payers. This includes understanding individual needs and motivations. Communication should not only satisfy those who support the work of Dairy Australia but should also seek to share information with those who are less engaged or who have expressed criticism.	<ul style="list-style-type: none"> • Actions completed for 2021/22 and plans in place to deliver on recommendation. • Continuous improvement is evident and will be reported annually. • Since the easing of COVID-19 restrictions, more regional visits have occurred to increase farmer engagement.
6. Dairy Farmer Communications – Communicating benefits of RD&E partners	Dairy Australia to specifically target farmer communication to demonstrate the benefits of its major research development and extension (RD&E) investments in the context of specific regions and production systems. This needs to include an explanation about how regional RD&E priorities are being addressed.	<ul style="list-style-type: none"> • Actions completed for 2021/22 and plans in place to deliver on recommendation. • Focused communications around key priority areas have continued in 2021/22. For example, the Information Memorandum distributed to farmers as part of the Levy Poll communicated the benefits of RD&E.
7. Key Performance Indicator (KPI) Discipline – Annual targets and baselines	Dairy Australia consider how targets/ measures in the Annual Operating Plan can be used to create stronger linkages between performance year on year with the five-year outcomes of the 2020 Strategic Plan.	Actions completed in 2020/21.
	Dairy Australia ensure all KPI baselines under the 2020 Evaluation Framework are confirmed and published prior to the end of 2020/21.	Actions completed in 2021/22. Our strategic success indicators have been published in the Strategic Plan.
8. Regional Development Programs – Realising the opportunity	Regional Development Programs be enabled to take on a more formalised role in two-way communication between Dairy Australia and RDPs about regional RD&E priorities and Dairy Australia RD&E priorities.	Actions completed for 2021/22 with plans in place to deliver on recommendation.
	A more direct relationship between the Dairy Australia RDP Manager and the Dairy Australia Managing Director should be adopted to strengthen RDP communication with the Dairy Australia executive.	Actions completed in 2020/21.
9. RD&E Partnerships – Confirm alignment and value proposition	In the context of the new Strategic Plan 2020, Dairy Australia should ensure its RD&E portfolio is appropriately balanced between its long-term RD&E partnerships and stand-alone funding to ensure there is sufficient investment flexibility for the goals of the plan to be achieved.	<ul style="list-style-type: none"> • Actions completed in 2021/22. • RD&E portfolio includes both long-term RD&E partnerships and stand-alone funding. Flexibility has been adopted as per recommendation.

Corporate governance principles

Our governance arrangements meet legislative requirements and draw on contemporary best practice as appropriate. These arrangements demonstrate Dairy Australia's commitment to effective corporate governance.

While Dairy Australia is an unlisted public company, we have adopted the ASX Corporate Governance Principles and Recommendations (fourth edition) as an appropriate benchmark to report transparently on our corporate governance practices.

Information on how Dairy Australia meets ASX Corporate Governance Principles for this financial year is included on the following pages.

Principle 1

Lay solid foundations for management and oversight

An entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

Our Board of Directors (the Board) acts in the interests of our major stakeholders – Group A and B members, non-member levy payers and the Australian Government, in accordance with the Constitution.

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 Delegated Authorities document which sets out financial delegations to management.

At relevant Board meetings, the Board:

- monitors progress on decisions delegated to management
- makes decisions on any matters above the authority of management.

The Board has three standing committees to help discharge its responsibilities:

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

Each committee has a **charter** setting out its roles and responsibilities (available on our website). Details about committee membership and meetings are outlined in the Financial Report on **page 37**.

Dairy Australia is committed to a culture of continuous improvement which includes regular performance reviews. These include assessments of:

- reference and background checks before directors are nominated for election
- reference and background checks before appointment of senior executives
- yearly performance reviews of:
 - all Board members, including a peer assessment
 - each Board committee
 - internal auditors, external auditors and investment advisers.
- the performance of the Managing Director against key performance indicators agreed at the start of the financial year. This is undertaken by the Human Resources Committee and presented for discussion to the Board.
- an extensive, independent review of the performance of the Board, its directors and committees facilitated by an external specialist every three years.

The last independent review was undertaken during the 2021/22 financial year. Board strengths identified included:

- a strong and shared commitment to Dairy Australia and the best interests of levy payers
- hard-working directors with diverse skills, experience, capabilities and strong industry networks

- broad alignment with Dairy Australia purpose and objectives.

Recent achievements acknowledged included:

- stronger focus on achievement of objectives that deliver value to levy payers
- coped with shocks largely outside of its control
- improvements in risk management and compliance.

Recommendations for improvement relate to how the Board deals with different perspectives and approaches, behavioural styles, and reaching consensus on the way forward for Dairy Australia's investment in research projects.

Dairy Australia has a thorough process for nominating director candidates to the Board, set out in Principle 2.

To help members make informed decisions about directors to elect, members have access to a range of information about the candidates including:

- information from the Board Selection Committee
- biographies and candidate statements of directors included with the Notice of Meeting for the Annual General Meeting and
- speeches by candidates at the Annual General Meeting.

The key terms and conditions applicable to the appointment of new directors are contained in a Letter of Appointment.

Dairy Australia values diversity and inclusiveness and has a Diversity Policy and Board Diversity Policy. Dairy Australia recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as essential to maintain a competitive advantage. When determining the optimum composition of the Board, the Board Selection Committee considers diversity characteristics including:

- regional and geographic background
- industry experience
- research and development experience
- farming systems
- farm size
- race, gender and other distinctions between directors.

Refer to 'Our People' on **page 20** for further information on gender diversity.



Principle 2

Structure the Board to be effective and add value

The Board should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

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

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

At 30 June 2022, the Board comprised eight non-executive directors (including the Chair) and the Managing Director.

The Board Skills Matrix is used to identify 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
- the requirement in the Constitution to have four directors with milk producer skills
- the skills-based Board requirements outlined in the Statutory Funding Contract with the Commonwealth:
 - governance, risk and compliance
 - finance, accounting and audit
 - research and development, innovation, technology and technology transfer, commercialisation and adoption of RD&E
 - product promotion and marketing (including communication)
 - dairy industry knowledge, including practical production and/or processing experience
 - public policy and administration.

The Board Skills Matrix is available on our website.

On an annual basis, each director completes a self-assessment against the Board Skills Matrix. The results of this exercise assist in:

- identifying actions and training requirements for individual directors
- developing the specifications for any director vacancies arising that year on the Board (through retirement or rotation as outlined below).

The Board Selection Committee:

- assesses the skill requirements needed for the Board to adequately fulfil its responsibilities taking into account the vacancies arising from retirement or rotation.
- advertises Board position vacancies and engages an executive recruitment firm to assist in identifying relevant candidates
- identifies and establishes a pre-selection committee of dairy farmers, as relevant, to assist in short-listing candidates for milk producer vacancies
- assesses the director candidates for each of the advertised vacancies and recommends a candidate for each vacant position.

The Board Selection Committee comprises two representatives from each of the Group A and Group B members and one representative from the Board. This is a standing committee appointed by the Board approximately every 12 months. The Board Selection Committee for 2022 comprised:

- Tania Luckin (Chair and Dairy Australia director)
- Ben Bennett (Australian Dairy Farmers)
- Andreas Clark (Australian Dairy Farmers)
- Janine Waller (Australian Dairy Products Federation)
- John Williams (Australian Dairy Products Federation)

All five members of the Board Selection Committee are deemed independent.

The Constitution provides for three-year terms for non-executive directors, capped at a maximum of three terms (nine years). After completion of a three-year term, existing directors who wish to re-nominate for a Board position need to re-apply and be considered through the Board selection process outlined above.

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 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 at the start of each Board meeting.

Dairy Australia's Policy on the independence of directors details a process for dealing with conflicts of interest, the assessment and disclosure of director independence. On an annual basis, the independence of each director is assessed in line with the policy.

For 2021/22, all non-executive directors including the Chair have been assessed as independent.

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 skills, experience, tenure, independence and expertise of each director are set out in more detail in the Directors' report (**page 38**).



Principle 3

Instil a culture of acting lawfully, ethically and responsibly

An entity should instil and continually reinforce a culture across the organisation of acting lawfully, 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. This includes:

- complying with all laws and requirements that apply to the organisation
- acting ethically, responsibly, honestly and with high standards of personal integrity
- ensuring confidentiality and not using information gained in the course of a person's employment or position with Dairy Australia for one's advantage
- declaring, or avoiding where appropriate, all conflicts of interest and otherwise refraining from acting or giving the appearance of acting contrary to the interests of Dairy Australia
- dealing with gifts and hospitality to safeguard against unethical payments or inducements
- reporting any breaches of the Code to maintain an appropriate culture of ethical behaviour.

There were two breaches of the Code of Conduct during the year and appropriate action was taken.

To embed ethical and responsible behaviour, Dairy Australia also has the following:

- Whistleblower Policy which provides details on how to report concerns confidentially and anonymously
- Anti-Bribery, Fraud and Corruption policy.

Any breaches of these policies are reported to the Audit and Risk Management Committee and the Board, as appropriate.

Principle 4

Safeguard the integrity of corporate reports

An entity should have appropriate processes to verify the integrity of its corporate reports.

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 by reviewing investment strategy and monitoring performance.

Members of the Audit and Risk Management Committee are appointed by the Board and are selected on the basis of their skills and experience and staggering membership to maintain continuity of experience.

In 2021/22, the Audit and Risk Management Committee comprised four non-executive directors from July to November 2021 and three non-executive directors from December 2021 to June 2022. The Board Chair also attended meetings in an ex-officio capacity. The Chair and 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 or financial expertise, and at least one member having a strong understanding of the dairy industry. Dairy Australia's external auditor Deloitte attends the Annual General Meeting and as per last year, was available to answer questions.

Principle 5

Make timely and balanced disclosure

As an unlisted public company, Dairy Australia is not subject to the disclosure requirements of the Australian Securities Exchange.

Regular updates are provided to levy payers and key stakeholders in addition to annual reporting on financial results and operations.

To find out more about Dairy Australia's performance refer to the:

- independent review of Dairy Australia's performance undertaken in January 2021
- Annual Performance Report.

These documents can be found at dairyaustralia.com.au.

Principle 6

Respect the rights of security holders

An entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

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

We are committed to open, accountable and responsive decision-making, informed by effective communication and consultation between Dairy Australia, dairy farmers, government and industry stakeholders. To keep stakeholders informed, we offer a variety of mechanisms for questions to be asked and responded to.

A range of information about Dairy Australia and our governance can be found on the Dairy Australia website. This includes our annual reports, key policies, Constitution, Board and Committee Charters, Statutory Funding Contract and the last independent performance review completed in January 2021.

Throughout 2021/22, we undertook a wide range of stakeholder communication and engagement initiatives ensuring levy payers had a strong voice in decision-making and understood our levy-funded programs.

Through COVID-19 we have seen increased participation by dairy farmers using virtual meeting technology. Dairy Australia has implemented and continues to explore initiatives to enhance member engagement and participation at meetings of members. This includes relevant changes that were made to the Constitution at the November 2021 Annual General Meeting. We recognise that some dairy farmers prefer to receive and respond to communications in different formats such as via email or via post. For this reason, we offer a range of different communication approaches to suit farmer needs.

Principle 7

Recognise and manage risk

An entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Our Risk Management Plan outlines Dairy Australia's approach to the framework for managing risk including how we identify, assess and treat risk. The plan also includes Dairy Australia's risk appetite statement which 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 approved by the Board.

The Audit and Risk Management Committee provides assistance to the Board in fulfilling its responsibilities including ensuring that the risk management framework, internal controls and compliance processes are fit for purpose. These responsibilities are outlined in its Charter.

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. We maintain an insurance program that provides cover for identified insurable risks.

Dairy Australia engages RSM Australia to provide internal audit services. The nature and scope of the work performed by the internal auditor is determined by the Audit and Risk Management Committee, in conjunction with management and the internal auditor. RSM Australia is appointed by, and reports to, the Audit and Risk Management Committee.

Internal auditors ensure we have a systematic, disciplined approach to evaluating and continually improving the effectiveness of risk management and internal control processes. Wherever feasible, recommendations made by our internal auditor are adopted by the organisation. An internal audit review of our Risk Management and Compliance Framework in 2022 reported no significant or medium risk findings.

Principle 8

Remunerate fairly and responsibly

An entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives, and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

As outlined in its Charter, the role of our Board Human Resources Committee is to provide assistance to the Board in fulfilling its responsibilities to deliver our strategic direction and culture. The Committee provides oversight and direction on people and remuneration policies and practices by enabling Dairy Australia to:

- attract and retain directors, executives and employees who will create sustainable value for farmers
- fairly and responsibly reward executives having regard to the performance of Dairy Australia
- comply with all relevant legislation and policies and reporting requirements
- commit to the achievement of a diverse and inclusive workforce
- facilitate identification and development of successors to executives and other business critical roles, resulting in a robust succession plan
- maximise the effectiveness of Dairy Australia's people management activities including delivering on agreed organisational culture outcomes.

In 2021/22, the Human Resources Committee comprised an independent Chair and three independent non-executive directors. The Board Chair also attended meetings in an ex-officio capacity.

Remuneration for directors, key management and staff is externally benchmarked against market data with remuneration paid in line with the market data against which it is benchmarked.

Further information can be found in the Financial Report regarding:

- membership and meetings of the Human Resources Committee.
- the total remuneration paid to directors and senior executives (Leadership Team).

Intellectual property

Dairy Australia has a portfolio of project intellectual property (IP). This is predominantly copyright in reports derived from research and development (R&D) projects, other materials, or works prepared by subject matter experts engaged by Dairy Australia.

To a lesser extent, it can include patents, trademarks, domain names and interests in plant breeders' rights.

The core objectives of Dairy Australia's IP management are:

- ensure IP provisions in 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 'Project Intellectual Property') to enable free dissemination to levy-paying farmers, and generally use the IP to achieve Dairy Australia's objectives and mission.
- maximise the benefit of R&D expenditure by disseminating relevant IP to industry without charge or other encumbrances, in a manner that is timely, easily digestible and user-friendly.
- ensure IP from R&D expenditure is competently examined and assessed at the time it is created so opportunities to secure statutory protection or commercialise the IP are not overlooked.
- ensure IP from R&D expenditure is competently examined and assessed so likely benefits in pursuing further R&D are identified and, where commercially viable, pursued.
- maintain procedures to manage ongoing costs of protection of registered IP.
- Our investment goal is to return a real and direct benefit to industry, generating relevant and valuable outputs, and delivering these to levy-paying farmers (and, where relevant, other industry stakeholders) efficiently and free-of-charge.

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.

Where appropriate, Dairy Australia protects intellectual property from R&D initiatives by way of registration.

Financial report



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Directors' report

The Directors of Dairy Australia Limited submit their report for the year ended 30 June 2022. 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.



Mr James Mann Chair

Appointed November 2015, appointed Chair July 2020

Previous member – Audit and Risk Management Committee (December 2017 – June 2020)

Ex-officio member – Audit and Risk Management Committee and Board Human Resources Committee (from July 2020)

James is the owner of Donovan's Dairying Pty Ltd at Wye, South Australia, which is one of the nation's leading dairy businesses and milks 2,000 cows. James has been involved in the Australian dairy industry for over 30 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. James was the Chair of the DairySA Regional Development Program from 2002–2015 and has also performed other dairy industry leadership roles.



Dr David Nation Managing Director

Appointed July 2018

David has over 25 years' experience in the dairy industry and has led large scale innovation projects, brought new technology to the dairy industry, and forged significant international partnerships in research projects. He has a background in agricultural science and broad experience in senior management, including further studies in NZ and the US. David has extensive national and global networks in commercial, research and sustainability sectors. David has also had technical and commercial roles in the animal breeding and herd fertility service industries.



Ms Roseanne Healy

Appointed November 2018

Member – Audit and Risk Management Committee

Roseanne Healy started in strategic advisory and investment banking at JB Were in Australia later becoming a corporate advisor to several ASX listed companies as well as being an experienced board chair and director on both private, listed and government boards. Roseanne currently leads Enterprise Corporation an Australian corporate advisory and boutique private equity firm with considerable experience across the innovation ecosystem. Roseanne Chairs Dairysafe, Cashflow Manager, is Deputy Chair of Grains Research and Development Corporation and non-executive director of the Murray Darling Basin Commission, Rice Breeding Australia, Pristine Foods and Swarmer. Roseanne was formerly a Director of the Rural Industries Research and Development Corporation (now AgriFutures). Roseanne's early qualifications included a Bachelor of Arts (Economics); a Master of Business Research (Commerce), and MBA, later returning to study a Bachelor of Laws at the University of Adelaide. Roseanne is also a graduate of the AICD (International).



Mr David Lord

Appointed November 2018

Chair – Board Human Resources Committee
Resigned November 2021

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 President and Chief Operating Officer at Saputo Dairy Australia. David holds an MBA (Executive), a Graduate Diploma of Business (Management) and is a member of the Australian Institute of Company Directors.



Ms Tania Luckin

Appointed November 2017

Member – Audit and Risk Management Committee (to November 2021)
Chair – Board Selection Committee. Board Human Resources Committee (from November 2021)

Tania operates a dairy farming business in south-west Victoria. She has more than 20 years' experience in the successful operation of small, medium and large-scale dairy farms. She has been involved in various industry organisations at regional and national levels and held 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 also has a vast network across the industry and is currently a director on the Board of Dairy Food Safety Victoria. Tania holds an Advanced Diploma of Agriculture and is a graduate of the Australian Institute of Company Directors.



Mr Graeme Nicoll

Resigned November 2021

Member – Audit and Risk Management Committee (to November 2021)

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. Graeme holds qualifications in Horticultural and Dairy Science and Land Rehabilitation. He was awarded a Nuffield Scholarship in 2010, providing him 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 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.



Professor Paul Wood AO

Appointed November 2016

Member – Board Human Resources Committee

Paul has over 30 years' experience in agricultural R&D and has been successful as a research scientist and an R&D leader. He is internationally recognised for his research in veterinary immunology, tuberculosis and vaccine development and in 2019 received the International Distinguished Veterinary Immunologist award. He has led R&D teams from CSIRO, CSL and Pfizer Animal Health (now Zoetis), and been responsible for bringing a number of innovative products to the market, receiving recognition for his work including the CSIRO Medal, the Clunies Ross award. Paul was made an Officer in the Order of Australia in 2018. He has served on several boards with both R&D and commercial entities and currently is an Adjunct Professor at Monash University. Paul is the Chair of the Global Alliance for Livestock Veterinary Medicines and a Fellow of the Australian Academy of Technological Sciences and Engineering.



Ms Josephine Rozman

Appointed November 2019

Chair – Audit and Risk Management Committee

Josephine is an experienced non-executive director with strong finance, risk management and accounting skills, in addition to extensive marketing, sales, business development and CEO experience across a diverse range of industries globally including working in the USA and Asia. She has a thorough understanding of trade, compliance and regulatory issues in global markets and a robust appreciation of supply chain management issues, in particular pertaining to food, beverage and agricultural products. Josephine has served on the boards of Elders Limited and Wine Australia Corporation. She is currently a Director of AustOn Corporation, which manages the Australian agricultural investments of the Ontario Teachers' Pension Plan. She is Chair of the Audit and Risk Committee for the NSW government agency, Service NSW. Josephine holds a Bachelor of Economics (Advanced Economics, Accounting and Law), is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors.



Mr Paul Roderick

Appointed November 2020

Member – Board Human Resources Committee

Paul Roderick has operated his family dairy farm at Harrisville, south-east Queensland for the last 30 years. Paul has been involved in all facets of dairy off-farm with roles in advocacy, research, development and extension. He was previously Chair of Subtropical Dairy, Dairy Australia's Regional Development Program, and had a role in setting up the Young Dairy Network, Queensland as the young farmer delegate on the Inaugural Strategic Steering Committee. He was a Director on Premium Milk Ltd (negotiating group with Lactalis) for 11 years and is a member of the Australian Dairy Conference Board. He is an active member of his local and dairy communities which include roles in the Fassifern Rugby League Football Club for over 28 years (current President), Hayes Oval Inc, the local Anzac Committee, and a current EastAUSmilk District Councillor.



Mr Russell Abotomey

Appointed November 2021

Member – Board Human Resources Committee (from November 2021)

Russell is an experienced executive and director with more than 30 years in the agricultural sector in Australia and internationally having worked for dairy companies such as Kraft, Fonterra and Murray Goulburn for more than 20 years. He also worked in the sugar industry for 10 years with Sugar Australia/CSR. Russell now consults on strategy, leadership and transformation. He holds a Bachelor of Business Degree from Swinburne University and completed the Executive Leadership Program at the Kellogg business school and the Agribusiness Program at Harvard business school.



Ms Simone Jolliffe

Appointed November 2021

Member – Audit and Risk Management Committee (from November 2021)

Simone with her husband Neil have been farming on the Murrumbidgee River near Wagga Wagga in NSW since July 2000, starting out as sharefarmers and later purchasing the property in 2008. Simone has nearly 20 years' industry involvement outside their farm business in local, state, and national roles. She has held various leadership roles in industry research, development and extension as well as advocacy and representation through her roles including Dairy NSW, Australian Dairy Farmers, DataGene and the Australian Dairy Sustainability Framework. Simone has a Bachelor of Rural Science and is a graduate of the Australian Rural Leadership Program as well as the Australian Institute of Company Directors.

Company Secretary

Sheridan Verwey

Resigned September 2021

Sheridan was appointed Company Secretary and Risk Manager in July 2019. She holds a Master of Business Administration (MBA) from Monash University after completing her undergraduate studies in Commerce. She is a Fellow of the Governance Institute of Australia and a Certified Practising Accountant (CPA). She has held executive risk, governance and change management roles locally and internationally including in regional Australia.

Mr Gerry Eeman

Appointed joint Company Secretary 30 September 2021

Resigned as Company Secretary 7 December 2021

Gerry Eeman is the Legal Manager at Dairy Australia. He is an experienced commercial lawyer who has worked at major law firms and in several in-house legal counsel roles, before joining Dairy Australia in February 2020. He specialises in a number of areas, including intellectual property and licensing, technology and innovation and corporate governance.

Elizabeth Parkin

Appointed February 2020

Elizabeth has over 30 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 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.

Meeting of Directors

Directors	Directors' meetings		Committee meetings			
	A	B	Audit and Risk Management Committee		Board Human Resources Committee	
			A	B	A	B
Mr J Mann	17	17 ⁱ	5	5 ⁱⁱ	5	5 ⁱⁱ
Dr D Nation	16 ⁱⁱⁱ	16 ⁱⁱⁱ	5	5	5	5
Ms R Healy	17	17	5	4	–	–
Mr D Lord	8	8	–	–	2	2 ⁱ
Ms T Luckin	17	17	3	3	5	5 ⁱ
Mr G Nicoll	8	8	3	3	–	–
Professor P Wood	17	17	–	–	5	5
Ms J Rozman	17	17	5	5 ⁱ	–	–
Mr P Roderick	17	17	–	–	5	4
Mr R Abotomey	9	9	–	–	3	3
Ms S Jolliffe	9	9	2	2	–	–

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

B Number of meetings attended

i Indicates Chair

ii Indicates attendance as an *ex-officio* member

iii Directors' meetings included one Non Executive Meeting – Dr Nation did not attend as he is an Executive Director

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 2022 is \$9,290 (2021: \$11,570).

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 amongst its members.

Statement of Corporate Governance

A statement of corporate governance is set out on **pages 25–36**.

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 2022 has been received by the Company. A copy follows the financial statements.

Signed in accordance with a resolution of the Directors.



James Mann
Director

30 September 2022



David Nation
Director

30 September 2022

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	2022	2021
		\$'000	\$'000
Revenue	2		
Dairy service levy		30,836	31,931
Government matching payments		22,639	22,633
External contributions		9,002	7,673
Interest revenue		6	134
Distributions from investments		239	1,152
Royalties		9	8
Other income		776	86
Total revenue		63,507	63,617
Expenses	3		
Projects		39,341	38,165
Activities and services		16,202	14,523
Overheads		8,466	9,613
Total expenses		64,009	62,301
(Deficit)/surplus		(502)	1,316
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Net fair value gains/(losses) on available-for-sale financial investments	6.3	(1,409)	412
Other comprehensive (loss)/income for the period		(1,409)	412
Total comprehensive (loss)/income		(1,911)	1,728

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 2022

	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	7,629	11,373
Trade and other receivables	6.1	13,374	14,668
Other financial assets	6.2	560	560
Total current assets		21,563	26,601
Non-current assets			
Available-for-sale financial investments	6.3	15,618	16,775
Plant and equipment	4.1	1,126	1,924
Right-of-use assets	6.4	365	637
Intangible assets	4.2	240	189
Total non-current assets		17,349	19,525
Total assets		38,912	46,126
Liabilities			
Current liabilities			
Trade and other payables	6.5	8,258	13,196
Provisions	3.2.2	3,208	3,286
Lease liabilities	6.4	293	666
Total current liabilities		11,759	17,148
Non-current liabilities			
Lease liabilities	6.4	359	43
Provisions	3.2.2	655	885
Total non-current liabilities		1,014	928
Total liabilities		12,773	18,076
Net assets		26,139	28,050
Reserves			
Retained surplus		27,029	27,531
Available-for-sale reserve	6.3	(890)	519
Total reserves		26,139	28,050

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 2022

	Retained surplus	Available-for-sale reserve	Total
	\$'000	\$'000	\$'000
At 1 July 2020	26,215	107	26,322
Surplus for the year	1,316	–	1,316
Other comprehensive income	–	412	412
Total comprehensive income for the period	1,316	412	1,728
At 30 June 2021	27,531	519	28,050
(Deficit) for the year	(502)	–	(502)
Other comprehensive loss	–	(1,409)	(1,409)
Total comprehensive loss for the period	(502)	(1,409)	(1,911)
At 30 June 2022	27,029	(890)	26,139

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 2022

	Note	2022	2021
		\$'000	\$'000
Cash flows from operating activities			
Levy and government matching payment receipts		53,905	50,264
Receipts from customers and other contributors		10,450	7,526
Interest received		6	134
Distributions received	2.6	239	1,152
Payments to suppliers and employees		(67,777)	(59,288)
Net cash flows used in operating activities	5.2	(3,177)	(212)
Cash flows from investing activities			
Net purchases of available-for-sale financial investments		(251)	(1,249)
Proceeds from disposal of plant and equipment		1,742	43
Purchase of plant and equipment		(1,673)	(633)
Purchase of intangible assets		–	(93)
Net cash flows used in investing activities		(182)	(1,932)
Cash flows from financing activities			
Repayment of the Principal portion of the lease liability		(381)	(686)
Interest charged on the lease liability		(4)	(11)
Net cash flows used in financing activities		(385)	(697)
Net increase in cash and cash equivalents		(3,744)	(2,841)
Add: opening cash and cash equivalents at beginning of year		11,373	14,214
Cash and cash equivalents at end of year	5.2	7,629	11,373

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

Notes to the Financial Statements

For the year ended 30 June 2022

1 About this report

1.1 Date authorised for issue

The financial report of Dairy Australia Limited for the year end 30 June 2022 was authorised for issue in accordance with a resolution of the Directors on 30 September 2022.

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 – Simplified Disclosures and other authoritative pronouncements of the Australian Accounting Standards Board.

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.

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2021.

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 Other income

2.1 Summary of revenue that funds the delivery of services

	Note	2022	2021
		\$'000	\$'000
Revenue			
Dairy service levy	2.2	30,836	31,931
Government matching payments	2.3	22,639	22,633
External contributions	2.4	9,002	7,673
Interest revenue	2.5	6	134
Distributions from investments	2.6	239	1,152
Royalties	2.7	9	8
Other income	2.8	776	86
Total revenue		63,507	63,617

The Statutory Funding Contract has been signed on 22 June 2021 for a period of 10 years.

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 Contract.

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 per cent of the amount determined by the Minister of the Department of Agriculture, Fisheries and Forestry (formerly known as Department of Agriculture, Water and the Environment) to be the gross value of whole milk produced (GVP) in Australia in the financial year, based on a three-year average, and 50 per cent 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 2022

2.4 External contributions

	2022	2021
	\$'000	\$'000
Geoffrey Gardiner Dairy Foundation Ltd	2,986	2,893
Department of Agriculture, Fisheries and Forestry	2,219	1,026
Cotton Research & Development Corporation	638	380
Department of Jobs, Precincts and Regions	563	802
DairyNZ Incorporated	525	525
Agriculture Victoria	500	1,001
University of Sydney	379	270
Department of Industry, Science, Energy and Resources	284	143
NSW Department of Primary Industries	172	–
Lemnos Foods Pty Ltd	150	–
Lactalis Australia	–	154
Meat & Livestock Australia Ltd	–	27
Australian Dairy Farmers Limited	–	8
Others	586	444
Total external contributions	9,002	7,673

External contributions are joint projects between Dairy Australia and other external parties to deliver services and support the dairy industry. The Company receives external contributions from other dairy and agricultural bodies such as the Geoffrey Gardiner Foundation, Department of Agriculture, Fisheries and Forestry, and Cotton Research & Development Corporation.

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 First Sentier Investors. 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

	2022	2021
	\$'000	\$'000
Sundry income	776	86
Total revenue	776	86

Sundry income includes profit on sale of assets \$200,506 (2021: \$41,818), of which \$187,015 related to the Sale and Leaseback of motor vehicles in June 2022. Refer to Note 3.1 for further information.

3 Costs of delivering services

The Company's main activities are contributing to the promotion and development of the Australian 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 delivered under the following strategic priorities (SP):

- SP1 – More resilient farm businesses
- SP2 – Attract and develop great people for dairy
- SP3 – Strong community support for dairy
- SP4 – Thrive in a changing environment
- SP5 – Success in domestic and overseas markets
- SP6 – Technology and data enabled farms
- SP7 – Innovative and responsive organisation

To better reflect business operations and be more meaningful to users of the financial statements, the Company's expense reporting structure is aligned with the nature of the expense, rather than the business group of where the cost is incurred. The categories are as follows:

- Project – Expenditure that is directly attributable to a project.
- Activities and services – Transactions that are focused on delivery of services to farmers and managing external stakeholders.
- Overheads – Core activities to run the business to satisfy regulatory and compliance requirements and provide infrastructure and tools to enable people to perform their job.

Structure

3.1 Lease expenses

3.2 Employee benefits

3.3 Commitments for expenses

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

3.1 Lease expenses

Office rent and car park leases relate to the lease of the Company's office at Southbank and office car park spaces. The office lease for the Company's office premises at Southbank expired in May 2022 and is currently operating on a monthly basis whilst future options for office premises are being finalised.

The Company has presented both interest expense on the lease liability and the depreciation charge for the right-of-use asset within overheads on the statement of profit or loss. The interest expense on the lease liability is presented separately within the statement of cash flows.

In June 2022, Dairy Australia entered into a Sale and Leaseback Agreement with a fleet management company. This arrangement involved the sale of 34 vehicles and previously owned by Dairy Australia, resulting in a gain from the sale which is disclosed in Note 2 of the financial statements. Each of the vehicles are now being leased by Dairy Australia, with lease terms of 6–36 months, depending on the age of the vehicle. Dairy Australia has the ability to extend the lease terms or buy back the vehicles at the end of each of the leases.

3.2 Employee benefits

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

	2022	2021
	\$'000	\$'000
Salaries and allowances	16,793	15,635
Superannuation	1,608	1,384
Long service leave – net movement	(158)	588
Termination benefits	40	146
Workers compensation costs	58	111
Total employee benefits expenses	18,341	17,864

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 at 10 per cent (2021: 9.5 per cent) 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. These benefits can include payment of accrued long service leave entitlement.

3.2.2 Employee benefits in the statement of financial position

	2022	2021
	\$'000	\$'000
Current		
Employee benefits in respect of:		
Long service leave	1,467	1,470
Performance-based remuneration	67	48
Annual leave (expected to be settled within 12 months)	1,246	1,126
Annual leave (expected to be settled after 12 months)	428	642
Total provision for employee benefits – current	3,208	3,286
Non-current		
Employee benefits in respect of:		
Long service leave	655	885
Total provision for employee benefits – non-current	655	885

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

	2022	2021
	\$'000	\$'000
Commitments contracted at reporting date but not recognised as liabilities are as follows:		
Not later than one year	27,559	16,202
Later than one year but not later than five years	17,442	32,678
Total research and development expenditure commitments	45,000	48,880

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.

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

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

	2022	2021
	\$'000	\$'000
Furniture and equipment at cost	1,510	1,427
Accumulated depreciation	(1,092)	(799)
Total furniture and equipment	418	628
Leasehold improvements at cost	1,365	1,365
Accumulated depreciation	(657)	(520)
Total leasehold improvements	708	845
Motor vehicles at cost	–	1,119
Accumulated depreciation	–	(668)
Total motor vehicles	–	451
Total plant and equipment	1,126	1,924

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 2021				
Opening balance at 1 July 2020	531	982	366	1,879
Additions	307	–	326	633
Disposals	–	–	–	–
Depreciation charge for the year	(210)	(137)	(240)	(587)
Closing balance at 30 June 2021	628	845	451	1,924
Year ended 30 June 2022				
Opening balance at 1 July 2021	628	845	451	1,924
Additions	83	–	303	386
Disposals	–	–	(424)	(424)
Depreciation charge for the year	(293)	(137)	(330)	(760)
Closing balance at 30 June 2022	418	708	–	1,126

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.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's estimated incremental borrowing rate.

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 follows:

- Furniture and equipment: 1.5 to 10 years
- Leasehold improvements: 10 years

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

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 the surplus or deficit in the year the asset is derecognised

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

4.2 Intangible assets

	2022	2021
	\$'000	\$'000
Computer software at cost	842	671
Accumulated amortisation	(602)	(482)
Total computer software	240	189
Opening balance at 1 July	189	210
Additions	171	93
Amortisation charge for the year	(120)	(114)
Closing balance at 30 June	240	189

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, where applicable: 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

	2022	2021
	\$'000	\$'000
Motor vehicles	330	240
Furniture and equipment	293	210
Intangible assets	120	114
Leasehold improvements	137	137
Total depreciation and amortisation of non-current assets	880	701

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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

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

5.1 Cash and cash equivalents

	2022	2021
	\$'000	\$'000
Cash at bank and in hand	7,629	11,373

Cash at bank earns interest at floating rates based on daily bank deposit rates.

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

	2022	2021
	\$'000	\$'000
Operating surplus/(deficit)	(502)	1,316
Non-cash flows in operating surplus/(deficit)		
Depreciation	760	587
Amortisation	120	114
Gain on disposal – fixed assets	(201)	(42)
Changes in assets and liabilities		
Trade and other receivables (increase)/decrease	1,294	(4,498)
Trade and other payables increase/(decrease)	(4,338)	1,337
Provisions increase	(308)	975
Net cash flows provided by operating activities	(3,177)	(212)

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

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 Right-of-use assets and lease liabilities

6.5 Trade and other payables

6.6 Contingent assets and liabilities

6.1 Trade and other receivables

	2022	2021
	\$'000	\$'000
Levy receivables	6,557	7,715
Trade receivables	498	1,716
Sundry receivables and prepayments	6,319	5,237
Total trade and other receivables	13,374	14,668

Levies receivables 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.

Trade and other receivables disclosed above include amounts that are past due at the end of June 2022 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. Trade and other receivables are non-interest bearing and are generally 30-day terms. Due to their short-term nature, the 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.

6.1.1 Ageing analysis of receivables

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

	2022	2021
	\$'000	\$'000
0–30 days	9,145	8,672
31–60 days	2,194	2,400
61–90+ days	2,035	3,596
Total	13,374	14,668

The lifetime Expected Credit Loss is \$nil (2021: \$nil) because there has not been a significant change in credit quality and the amounts are still considered recoverable.

As of 30 June 2022, the nature of the receivables are such that they are considered recoverable.

6.2 Other financial assets

	2022	2021
	\$'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.

6.3 Available for sale financial investments

	2022	2021
	\$'000	\$'000
Externally managed funds, at fair value	15,618	16,775

These funds are invested with First Sentier Investors as a means to prudently manage the return on longer term cash reserves.

The portfolio is invested in one fund – Multi-Asset Real Return. The Fund objective is to protect against inflation and provide growth by achieving a positive return of 4.5 per cent in excess of Australian CPI (trimmed mean) over a rolling five-year period. Asset allocation is dynamic to take advantage of market opportunities when they arise across the full spectrum of equities, bonds, currencies and commodities. 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.

The fair value of the available-for-sale financial investments decreased by \$1,158,000 (2021: \$1,660,781) during the year. This comprised income of \$2,566,000 (2021: \$1,249,000) and the unrealised loss on available-for-sale reserve of \$1,408,511, resulting in the available-for-sale reserve of \$(889,000) (2021: \$519,000).

Impairment

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

Refer to **Note 7.4** Financial Instruments – Impairment, for further detail.

6.4 Right-of-use assets and lease liabilities

	2022	2021
	\$'000	\$'000
Buildings	–	568
Equipment	41	69
Motor vehicles	324	–
Net carrying amount of right-of-use asset	365	637

Reconciliations of the carrying amounts of each class of right-of-use asset at the beginning and end of the current and previous financial years are set out below.

	Buildings	Equipment	Motor vehicles	Total
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 July 2021	568	69	–	637
Additions	–	–	324	324
Disposals	(568)	(28)	–	(596)
Closing balance at 30 June 2022	–	41	324	365

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

Depreciation is calculated on a straight-line basis over the estimated useful life of the right-of-use assets as follows:

- Buildings: 5 years
- Equipment: 5 years
- Motor vehicles: 3 years

Reconciliations of lease liabilities by classification for the current and previous financial years are set out below.

	2022	2021
	\$'000	\$'000
Lease Liabilities in respect of:		
HWT Tower – levels 2 and 3	–	576
HWT – car park	–	59
Konica photocopiers	28	28
HWT – storage	–	3
Motor vehicles	265	–
Total current lease liabilities	293	666
Konica photocopiers	14	43
Motor vehicles	345	–
Total non-current lease liabilities	359	43
Total lease liabilities	652	709

6.5 Trade and other payables

	2022	2021
	\$'000	\$'000
Deferred revenue	3,922	4,906
Trade payables	2,262	4,877
Accrued research and development expenditure	1,279	2,046
Other payables	922	1,436
GST payables	(127)	(69)
Total trade and other payables	8,258	13,196

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

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 2022 where invoices have not been received.

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

6.6 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.

6.6.1 Contingent assets

The Company has no material contingent assets.

6.6.2 Contingent liabilities

The Company has no material contingent liabilities.

7 Financial instruments

Classes and categories of financial instruments and their fair values

The following section 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

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

7.1 Categories of financial instruments

	2022	2021
	\$'000	\$'000
Financial assets		
Available-for-sale financial assets:		
Available-for-sale financial investments	15,618	16,775
Cash and cash equivalents	7,629	11,373
Loan and receivables:		
Trade and other receivables	13,374	14,668
Held-to-maturity investments:		
Short-term deposits	560	560
Total financial assets	37,181	43,376
Financial liabilities		
Trade and other payables	8,258	13,196
Total financial liabilities	8,258	13,196

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 Fair Value Through the Statement of Other Comprehensive Income (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 reclassified to the profit or loss statement on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in the profit or loss statement 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 considers 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.

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 group of financial assets is impaired.

For the purposes of impairment assessment, the available-for-sale assets are considered to have low credit risk. Lifetime Expected Credit Loss 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 has not written off any debts as bad in the current year. Lifetime Expected Credit Loss 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.

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

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

Directors		
Mr J Mann	Chair (non-executive)	
Dr D Nation	Managing Director	
Ms R Healy	Director (non-executive)	
Ms T Luckin	Director (non-executive)	
Mr P Roderick	Director (non-executive)	
Ms J Rozman	Director (non-executive)	
Prof P Wood AO	Director (non-executive)	
Mr R Abotomey	Director (non-executive)	Appointed November 2021
Ms S Jolliffe	Director (non-executive)	Appointed November 2021
Mr D Lord	Director (non-executive)	Resigned November 2021
Mr G Nicoll	Director (non-executive)	Resigned November 2021

Executives	
Mrs K Campbell	GM Marketing and Communications
Mrs H Dornom	GM Sustainability
Mr G Jarman	GM Farm Profit and Capability
Ms I McBain	GM Human Resources
Ms V Ingham	GM Regional Services
Mr C McElhone	GM Trade and Industry Strategy
Ms E Parkin	GM Business and Organisational Performance

8.2 Compensation of key management personnel

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

	2022	2021
	\$	\$
Directors		
Short-term employee benefits	857,366	835,231
Post-employment benefits	62,621	58,339
Other long-term benefits	16,243	24,455
Total	936,230	918,025
Executives		
Short-term employee benefits	1,843,945	1,730,705
Post-employment benefits	155,351	141,203
Other long-term benefits	29,514	90,920
Total	2,028,810	1,962,828
Total key management personnel compensation	2,965,040	2,711,229

Short-term employee benefits include salary and fees, bonus, and other short-term benefits. Post-employment benefit refers to superannuation. Other long-term benefits include long service leave and long-term incentives.

Fees to directors of the Board comprise fixed remuneration only (base salary plus superannuation). Fees have increased by 3.5 per cent in 2022 and payments in 2022 included a backdated amount for services rendered for 2021. 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 \$43,419 per annum (2021: \$41,963).
- Members of the Board sub-committees receive a further \$3,137 per annum (2021: \$3,045)
- Chairs of the Board sub-committees receive \$6,302 per annum (2021: \$6,090)
- The Chair of the Board receives \$97,222 per annum (2021: \$93,961)
- The Managing Director's remuneration package comprises a short-term performance-based component plus superannuation. The performance-based component is subject to satisfying performance measures approved by the Board.

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 Managing Director's short-term incentive was included in the provision for employee entitlements and was subsequently paid in August 2021.

Executives

Executives are eligible to receive fixed remuneration only.

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

8.3 Related party transactions

Transactions with key management personnel related entities are detailed below. 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 2022, \$2,559,161 (2021: \$nil) was paid or payable to the following key management personnel-related entities under normal commercial terms and conditions.

Dairy Australia key management personnel		2022	2021
		\$	\$
Entity			
DataGene Limited	Simone Jolliffe	2,559,161	–
Total		2,559,161	–

Income earned from key management personnel-related entities

During 2022, \$nil (2021: \$5,036) was received or receivable from the following key management personnel related entities under normal commercial terms and conditions.

Dairy Australia key management personnel		2022	2021
		\$	\$
Entity			
Bega Cheese Ltd	Mr J Odgers	–	4,000
Grains Research and Development Corporation	Ms R Healy	–	1,036
Total		–	5,036

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

As the Dairy industry is considered an essential service in Australia, government restrictions have sought to minimise COVID-19 related business impacts on agriculture and food production. Despite heightened need for health and safety practices, detailed continuity and response planning, restrictions on staffing levels in some cases, and highly restrictive interstate border controls, the industry has largely been able to navigate constraints and maintain all critical production and processing activities. COVID-19 restrictions have had a significant impact on the operations of the Company, including on staff and extension activities in particular, but all have been managed in such a way as to maintain the output of the organisation.

There have been no other 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:

	2022	2021
	\$	\$
Audit of the financial report of the Company including Statutory Funding Contract compliance	115,000	88,500
Other services		
• returning officer (AGM)	–	5,000
Total auditor's remuneration	115,000	93,500

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.

Notes to the Financial Statements *continued*

For the year ended 30 June 2022

9.5 Members' funds

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.

	2022	2021
	number	number
Group A members		
Nominated	2,651	3,126
Joint	1,992	2,657
Total	4,643	5,783
Group B members		
Total	2	2
Total Group A and Group B members	4,645	5,785

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.

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.

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.

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.

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 2021:

- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
- AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts
- AASB 2020-9 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 and Other Amendments
- AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities

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

New and revised Australian Accounting Standards on 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 17 Insurance Contracts
- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments
- AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2
- AASB 2020-9 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 and Other Amendments
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates

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

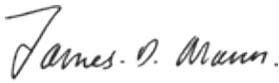
Directors' declaration

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 – Simplified Disclosures 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



James Mann
Director

30 September 2022



David Nation
Director

30 September 2022

Independent auditor's report



Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000

Tel: +61 (0) 3 9671 7000
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 2022, 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 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 2022 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards – Simplified Disclosures 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2022, 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 express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.

Independent auditor's report *continued*

Deloitte.

Responsibilities of the directors for the Financial Report

The directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Simplified Disclosures and the ACNC Act and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the 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 the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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 the directors.
- Conclude on the appropriateness of the directors' 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.

Deloitte.

We communicate with 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, 30 September 2022

Auditor's independence declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000

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

30 September 2022

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 2022, 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 sincerely



DELOITTE TOUCHE TOHMATSU



Stephen Roche
Partner
Chartered Accountants

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Appendix



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Statutory Funding Agreement Performance Principles

The assessment framework (in the following table) sets out the Performance Principles and associated Key Performance Indicators in the Statutory Funding Agreement and the Guideline for Statutory Funding Agreement. The table demonstrates adherence against each Key Performance Indicator.

SFA Performance Principal	Key Performance Indicators (KPIs)	Alignment in 2021/22
Principle 1 Stakeholder engagement Engage stakeholders to identify research, development and extension (RD&E) priorities and activities that provide benefits to industry	1.1 Strategy prioritisation and development processes include appropriate consultation plans, based on the Best practice guide to stakeholder consultation	<ul style="list-style-type: none"> Dairy Australia works closely with farmers and other stakeholders to understand their needs and direct investment priorities. The Dairy Australia Strategic Plan 2020–2025 was developed with widespread industry consultation. The Annual Operating Plan involves significant annual consultation with the Regional Services Business Group, farmers, Australian Dairy Farmers (ADF) and Australian Dairy Products Federation (ADPF). It sets the RD&E priorities and objectives of that operating year to achieve outcomes under the Strategic Pillars. A quarterly portfolio review monitors progress towards the Annual Operating Plan and is shared with the Department of Agriculture, Fisheries and Forestry (DAFF), ADF and ADPF. Some stakeholders such as the ADF and ADPF require additional consultation due to their Group B Stakeholder responsibilities. <p>A copy of Dairy Australia’s Stakeholder Consultation Plan can be found on the Dairy Australia website and provides further information on Dairy Australia’s consultation approach.</p>
	1.2 Demonstrated industry stakeholder engagement in the identification of RD&E priorities and activities consistent with the consultation plan in 1.1	<ul style="list-style-type: none"> On an ongoing basis Dairy Australia engages with State Dairy Farming Organisations (SDFOs). Dairy Australia participates in industry Reference Committees to consult on industry priorities and position areas of Human Health and Nutrition, Dairy Industry Sustainability, Milk Quality and Safety and Trade. The committees include representatives from Dairy Australia, ADPF, ADF, staff from milk processors and service providers/subject matter experts. Dairy Australia carries out environmental scan meetings with ADF and ADPF to understand key industry issues.
	1.3 Demonstrated incorporation of industry stakeholder feedback on RD&E priorities and activities. Where incorporation is not possible, demonstration of feedback to a stakeholder/s on why incorporation was not possible	<ul style="list-style-type: none"> The Annual Operating Plan involves significant annual consultation with the Regional Services Business Group, feedback from farmers, the ADF and ADPF. It sets the RD&E priorities and objectives of that operating year to achieve outcomes under the Strategic Pillars. Outcomes of these priority setting meetings are shared with stakeholders through an Annual Operating Plan on the Dairy Australia website Dairy Australia works closely with Regional Development Programs (RDPs) to achieve alignment. Where a proposed RD&E priority or activity cannot be undertaken, feedback is provided to the relevant stakeholders consistent with the Investment Review Panel process (see section 2.1) . A quarterly portfolio review monitors progress towards the Annual Operating Plan and is shared with DAFF, ADF and ADPF.

SFA Performance Principal	Key Performance Indicators (KPIs)	Alignment in 2021/22
<p>Principle 2 Research, Development and Extension (RD&E) activities</p> <p>Ensure RD&E (and marketing) priorities and activities are strategic, collaborative and targeted to improve profitability, productivity, competitiveness and preparedness for future opportunities and challenges through a balanced portfolio</p>	<p>2.1 RDC investments align with strategic plans and have demonstrated outcomes to levy payers and taxpayers, including through growth in the industry, increased profitability of producers, commercialisation, access to new markets</p> <p>2.2 Levy payers who participate in RDC supported extension and adoption programs:</p> <ul style="list-style-type: none"> gain new knowledge or new information to improve their long-term profitability, productivity, competitiveness and preparedness. intend to make or have made changes to existing practices by adopting the outcomes of R&D 	<ul style="list-style-type: none"> Dairy Australia's Investment Review Panel (IRP) oversees RD&E activities and proposals to align with the strategic pillars. Most investments in RD&E are made by decisions under Delegations of Authority, as projects with third parties, or extension through RDPs and third-party service providers to ensure optimal outcomes for the industry and against the strategic priorities in the most cost-effective manner. RD&E proposals to the Investment Review Panel are prepared in consultation with relevant stakeholder/s and outline benefits to farmers, industry and alignment to the strategic pillars. Projects with an investment value outside of the Investment Review Panel delegations are referred to the Dairy Australia Board for approval. <p>Regional Services operating as one of the business units of Dairy Australia embeds a regional focus for the RDC. It fosters connected effective relationships within dairy communities to support levy payers gain new knowledge and information, and facilitate adoption in the following ways:</p> <ul style="list-style-type: none"> Delivery of services that result in adoption and practice change on farm <ul style="list-style-type: none"> Deliver extension activities, participate in learning and capability development activities and industry development programs and provide services to support dairy farmers in the region. This helps farmers better manage their dairy businesses, increase their skills and knowledge and create a sense of community. Ensure delivery of services has the desired impact on farm business performance. Contribute to technical expertise within regions, across regions and nationally Provide a comprehensive understanding of regional dairy issues, needs and opportunities for planning, development, projects and delivery. Capture regional insights and sharing across relevant parts of the business to support optimising development, services and delivery. Provide a one-stop shop embedded in dairy regions – being the local and regional point of contact, referral and/or coordination.
<p>Principle 3 Collaboration</p> <p>Undertake strategic and sustained cross-industry and cross-sectoral collaboration that addresses shared challenges and draws on experience from other sectors</p>	<p>3.1 Completed, current and future R&D including commercialisation opportunities are accessible through the growAG platform</p> <p>3.2 Number and quantum of cross-industry and cross-sector RD&E investments available</p>	<ul style="list-style-type: none"> Over 112 Dairy Australia projects listed with the growAG website (or under review by growAG for imminent listing). Evoke growAG support through participation and planning engagement Participate in Agri Futures Emerging National Rural Issues process. <ul style="list-style-type: none"> Cross RDC communication consultation currently takes place via the Council of RDCs on a range of common topics. These discussions focus on sharing communication approaches and aligning, where possible. Dairy Australia continues to engage and consult with the Policy Advisory Groups (PAGs) at every opportunity. Smarter Irrigation for Profit project (\$545k annual Dairy Australia levy contribution; Cotton Research and Development Corporation program coordinating RDC). Forewarned is forearmed project (\$50k Dairy Australia levy contribution; Bureau of Meteorology principal project provider). National Pastures Genebank project (\$163k Dairy Australia levy contribution, South Australian Research and Development Institute (SARDI) principal project provider) National Animal Welfare RD&E Strategy (\$2k Dairy Australia levy contribution). Australian Food and Wine trade collaboration program (\$80k Dairy Australia levy contribution over two years).

SFA Performance Principal	Key Performance Indicators (KPIs)	Alignment in 2021/22
Principle 4 Governance Governance arrangements and practices to fulfil legislative requirements and align with contemporary Australian best practice for open, transparent, and proper use and management of funds	4.1 Ongoing oversight, planning and reporting of investment activities is done in accordance with legislative and Australian Government requirements and timeframes	<ul style="list-style-type: none"> A quarterly portfolio review is undertaken to monitor progress and action taken towards the achievement of the Annual Operating Plan. The executive summary is shared with DAFF, ADF and ADPF. The Dairy Australia Annual Report outlines key achievements, and the report is sent to the Minister with the 'Performance Report at a glance' document. Dairy Australia's annual Performance Report outlines its key achievements against its Strategic Framework which is provided to the Minister and published on the website. Dairy Australia updated its Evaluation Framework in line with the Strategic Plan 2020–2025 and published it on the Dairy Australia website. In line with requirements set out under the <i>Australian Charities and Not-for-Profits Commission Act 2012</i> (Cth) Part 3–2, Div 60, 60–5 (1), 60–10 (1) and 60–25, Dairy Australia prepares its Annual Financial Statements and Reports which are audited prior to submission to the Australian Charities and Not-for-Profits Commission. Under the <i>Dairy Produce Act 1986</i> Div 4 Sec 13 these are also provided to the Minister along with a Certification Report.
	4.2 Demonstrated management of financial and non-financial risk	<ul style="list-style-type: none"> Dairy Australia maintains a Risk Management Framework in alignment to ISO 31000:2018 and a Compliance Management Framework in alignment to ISO 19600:2015. Both frameworks support and capture financial and non-financial risk which Dairy Australia considers equally important aspects of good governance.
	4.3 Relevant policies and procedures adopted and implemented (e.g. privacy)	<ul style="list-style-type: none"> Under its Compliance Management Framework Dairy Australia maintains a number of policies and procedures to support its compliance obligations under both Commonwealth and State legislation and regulatory requirements. These policies and procedures are reviewed on minimum every two years or prior if affected by any internal or external changes.
	4.4 Non-financial resources implemented effectively (e.g. human resources, information technology, intellectual property)	Dairy Australia has invested in ensuring critical business support services such as human resources, information technology, intellectual property, marketing and communications, strategy, project, innovation, farm, regional services and finance are well established with skilled knowledge, process and systems to ensure on going management of financial and non-financial risk and compliance.

SFA Performance Principal	Key Performance Indicators (KPIs)	Alignment in 2021/22
<p>Principle 5 Monitoring and evaluation</p> <p>Demonstrate positive outcomes and delivery of RD&E [and marketing] benefits to Levy Payers and the Australian community in general – and show continuous improvement in governance and administrative efficiency</p>	<p>5.1 Impact (cost-benefit) assessment of a broad cross-section of RD&E (and marketing) investments undertaken annually</p>	<p>Dairy Australia updated its Evaluation Framework in line with the 2020–2025 Strategic Plan which has broad cross section investments.</p> <p>Dairy Australia's strategic priorities focus on the seven strategic pillars below. Investment decisions make sure the right proportion of investment is made against each pillar. (Refer to 2.1 for the investment approach.)</p> <ol style="list-style-type: none"> 1. More resilient farm businesses 2. Attract and develop great people for dairy 3. Strong community support for dairy 4. Thrive in a changing environment 5. Success in domestic and overseas markets 6. Technology and data-enabled dairy farms 7. Innovative and responsive organisations <p>To assist in the investment decision process, Dairy Australia undertakes impact assessment on projects across the total investment portfolio, quantifying the net benefits of these investments to levy payers and the Commonwealth wherever possible.</p> <ul style="list-style-type: none"> • Impact assessment comprises pre-investment (ex-ante) assessments of projects prior to approval by the Dairy Australia Investment Review Panel and post-investment (ex-post) assessments after projects have concluded. The methodology typically employed is Benefit-Cost Analysis (BCA), consistent with the latest Council of Rural Research and Development Corporations (CRRDC) guidelines (April 2018). • For projects where the benefits of the Dairy Australia intervention are harder to quantify (industry marketing, trade relations, policy development), other methods of economic analysis have been used such as threshold analysis or the change in economic surplus. • To support and encourage Dairy Australia's wide investment analysis of levy payer and Commonwealth funds and to make the pre-investment assessment process more efficient, Dairy Australia has developed a pre-investment assessment BCA template and Quick Reference Guide. <ul style="list-style-type: none"> – Post-investment assessment (ex-post) – Dairy Australia aims to complete four post-investment assessments per year on completed projects across the total portfolio. Given the cost of commissioning external consultants we try to manage the cost by engaging external consultants (economists) to undertake two assessments, while Dairy Australia undertakes a further two assessments internally, but with independent (external) peer review. – Project selection is based on Guiding Principles adopted by the Dairy Australia Leadership Team.
	<p>5.2 Demonstrated consideration of and response to outcomes of monitoring and evaluation processes</p>	<ul style="list-style-type: none"> • Coinciding with the annual review of the Annual Operating Plan and at the beginning of each financial year, the Strategy and Planning team with portfolio sponsors and project leads, reviews annual targets and alignment with strategic outcomes and sets or resets targets where necessary. • Quarterly performance is captured in a bottom-up process by reporting project performance through quarterly dashboards, capturing outcome focused key highlights/achievements, performance against KPIs and risk encountered during the quarter. • Quarterly performance measurement is raised to a strategic level at Quarterly Portfolio Review (QPR) and Cross-Portfolio Review meetings, where quarterly performance is discussed with respect to how the portfolio is tracking against targets set under the five-year strategic plan. • The process concludes with the Quarterly Performance Reporting – Executive Summary presented to the Dairy Australia Board. The process enables a constant alignment with strategy and feedback from the Board to Project Leads. • Dairy Australia's metrics framework comprises project level metrics reported by project leads in the Quarterly Performance Report and strategic level metrics 'Strategic Indicators' reviewed in Quarterly Performance Reporting and Cross-portfolio meetings and reported in the Quarterly Performance Reporting – Executive Summary. • The process of Impact Assessment with respect to post-investment assessment includes management response to the findings and recommendations of the assessment.
	<p>5.3 Transparent communication to stakeholders (including government) on the impacts and benefits of the RD&E [and marketing] activities</p>	<ul style="list-style-type: none"> • A quarterly portfolio review is undertaken to monitor progress and action taken towards the achievement of the Annual Operating Plan and RD&E activities. This is shared with DAFF, ADF and ADPF • Dairy Australia also prepares its annual Performance Report outlining its key achievements against its Strategic Framework, which is also provided DAFF, ADF and ADPF. It is also published on the Dairy Australia website. • The findings, key recommendations and the management response from post-investment assessments are included in the annual Performance Report each year.

Our collaboration partners

Group B members

Australian Dairy Farmers Ltd
Australian Dairy Products Federation Inc.

Rural Development Corporations

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

Regulatory groups

Australian Packaging Covenant Organisation
Dairy Export Industry Consultative Committee (DAWE)
Food Standards Australia New Zealand
CODEX Australia
State Food Regulatory Authorities
Environment Protection Authorities SAFEMEAT
Australian Pesticides and Veterinary Medicines Authority

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
Dairy Moving Forward Steering Committee

Key investment partners

Agriculture Victoria
Ag Innovation Australia
Austrade
Australian Fresh Milk Holdings
CSIRO
Dairy Connect
DairyNZ
Department of Agriculture and Water Resources
Latrobe University
Leppington Pastoral Co
Local Land Services (Hunter)
Gardiner Dairy Foundation
Global Victoria
Norco
NSW Department of Primary Industries
Pasture Trials Network
Queensland Department of Agriculture and Fisheries
SE Local Land Services
Scibus
South Australian Research and Development Institute
Sustainability Victoria
Stop Food Waste Australia
Tasmanian Institute of Agriculture
University of Melbourne
University of New England
University of Sydney, Dairy Research Foundation
WA Department of Primary Industries and Regional
Development

Industry groups

Australian Dairy Farmers Policy Advisory Groups
Australian Meat Advisory Council
Dairy Company Quality Assurance Managers
and Field Service Officers
Dairy Moving Forward Communities of Interest
Australian Food and Grocery Council
Infant Formula Nutrition Council
International Dairy Federation
Sustainable Agriculture Initiative
Dietitians Association of Australia
Sustainability Consultative Forum
Global Dairy Sustainability Framework
Seafood Industry Australia
State Dairy Farming Organisations
Global Dairy Platform

Financial contribution to cross-sectional collaboration

The following table shows the financial contribution to cross-sectional collaboration with other research and development corporations.

Project name	Collaborating RDCs	Dairy Australia contribution \$
Enhancing the profitability and productivity of livestock farming	AgriFutures, CRDC, GRDC, SRA	545,655
Growing Beef from Dairy	MLA	200,000
Dairy Farm Manager – Sponsorship of three Horizon Scholars in 2021–2022	AgriFutures	94,500
Forewarned is forearmed	AgriFutures, APL, CRDC, GRDC, MLA, SRA, Wine Australia	50,000
Australian food and Wine – Collaboration Group	MLA, HIAL, Wine Australia, Seafood Industry Australia	40,000
Cross sectoral marketing	AgriFutures, APL, CRDC, GRDC, MLA, Australian Eggs, AWI	35,000
Black Soldier Fly	APL	20,000
Rural Health and Safety Alliance 2	AgriFutures	20,000
DAWE Antimicrobial Resistance	AgriFutures, APL, MLA, Australian Eggs	14,000
Animal Industries Antimicrobial Stewardship	MLA	10,000
National Animal Welfare R,D & E Strategy (NAWRDES)	APL	1,340
Dairy Beef Supply Chain	MLA	
Rural Safety and Health Alliance	AgriFutures	
People in Dairy – RSHA: Improving mobile and fixed plant and vehicle safety	AgriFutures	
Virtual Herding	APL, AWI, MLA	
Animal Health Operational Spend	APL	
Total revenue		1,030,495

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 errors or omissions and accepts no liability for your use of or reliance on this document. Furthermore, the information has not been prepared with your specific circumstances in mind and may not be current after the date of publication. Accordingly, you should always make your own enquiry and obtain professional advice before using or relying on the information provided in this publication.

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Dairy Australia Limited ABN 60 105 227 987
Level 3, HWT Tower
40 City Road, Southbank Vic 3006 Australia
T +61 3 9694 3777 F +61 3 9694 3701
E enquiries@dairyaustralia.com.au
dairyaustralia.com.au