



**ACCELERATING INNOVATION**

**ANNUAL REPORT**  
2015-16



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## ABOUT THIS REPORT

THIS ANNUAL REPORT PRESENTS A SUMMARY OF MDC'S PROGRAMS, OUTCOMES AND FINANCIAL PERFORMANCE DURING 2015-16. IT CONTAINS FOUR MAIN SECTIONS:

1. A summary of MDC's operations and highlights of 2015-16, a report by MDC's Chief Executive Officer and what's next for MDC (pages 2-9)
2. A *Report to Stakeholders* that outlines MDC's performance across five strategic investment areas, highlights and progress against key performance indicators (pages 10-21)
3. An *About MDC* section which provides an overview of the company, the MDC Board, operations and a financial summary (pages 22-27)
4. An audited *Financial Report* compiled in accordance with the *Corporations Act 2001*, Australian Accounting Standards and MLA's Deed of Agreement with the Australian Government (pages 28-41)



### ACCELERATING INNOVATION

MDC **fast-tracks innovation** across the value chain so the Australian red meat and livestock industry can remain competitive on the world stage

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# MDC AT A GLANCE

## OUR PURPOSE

MDC supports MLA's strategic purpose of fostering the long-term prosperity of the Australian red meat and livestock industry via:

- Extending MLA's strategic priorities into future-focused, transformational impact areas
- Facilitating capability and adoption of innovation by industry
- Acting as a catalyst to accelerate the development of innovations with new types of provider partnerships
- Partnerships that facilitate 'big picture' change in the industry
- Engaging leading global providers and entrepreneurs that bring new ideas and new value to the industry
- Attracting new investment partners to co-develop key priority areas

MDC has the same vision, mission and values as MLA (see [www.mla.com.au/about-mla/who-we-are](http://www.mla.com.au/about-mla/who-we-are)).

## OUR 2015-16 STRATEGIC INVESTMENT FOCUS AREAS

1. Whole of value chain insights to drive high value demand
2. Disruptive transformational productivity improvements
3. Industry integrity and sustainability
4. Driving innovation capability
5. Northern beef value chain program

## OUR HISTORY

MDC was established in 1999 as a fully-owned subsidiary of MLA.

MDC is incorporated under the *Corporations Act 2001*. The principal activity of MDC is to act as an approved donor under s61 (1) of the *Australian Meat and Live-stock Industry Act 1997* for research and development matching funding purposes.

## OUR FUNDING

MDC attracts co-investment from individual enterprises and others that share a mutual interest with MLA to co-invest in innovations that will benefit the Australian red meat and livestock industry.

The Australian Government matches voluntary partner contributions in projects that address industry and government priorities and benefit the Australian community.

## OUR STAKEHOLDERS

Since it began operations in 1999, MDC has attracted investment from every part of the red meat and livestock value chain, including processors, value-adders, breed societies, large pastoral companies, international collaborators and technology providers. MDC works in partnership with these value chain partners and the Australian Government to deliver products and services to the cattle, sheep and goat industry (see Figure 1).

MDC also works with the Australian Meat Processor Corporation via the Plant Initiated Project initiative to develop projects that address key processing issues and support the development of innovation capabilities within this sector.

## OUR DECISION MAKING PROCESSES

The MDC Board determines the preferred portfolio of new projects including a maximum allocation of funds for specific program initiatives where appropriate. All MDC projects are approved via the comprehensive MLA project approval and governance processes. MLA and AMPC have developed a joint process to approve Plant Initiated Projects.

In 2015-16 MDC took its strategic direction from the Australian Government's Science and Research Priorities, Rural Research and Development Priorities and Agricultural Competitiveness White Paper Priorities, the *Meat Industry Strategic Plan 2010-2015* and the *MLA Corporate Plan 2010-2015*.

From July 2016 to June 2020, MDC will take its strategic direction from the *MLA Strategic Plan 2016-2020* which is aligned to the *Meat Industry Strategic Plan 2020*, and the Australian Government's Science and Research Priorities and its Rural Research, Development and Extension Priorities.

## OUR STAFF

MDC does not directly employ any personnel. Activities are managed and undertaken via MLA with these personnel and operational costs funded from the collection of the MDC access fee. MDC activities are overseen by the MDC Board and CEO Dr Christine Pitt (in her previous role as MLA General Manager, Value Chain Innovation and since May 2016 as MDC Chief Executive Officer).

Directors and office bearers of MDC are as follows:

### Directors

Lucinda Corrigan – MDC Chair  
Robert Fitzpatrick  
Geoffrey Maynard  
Richard Norton  
Chris Mirams (since March 2016)

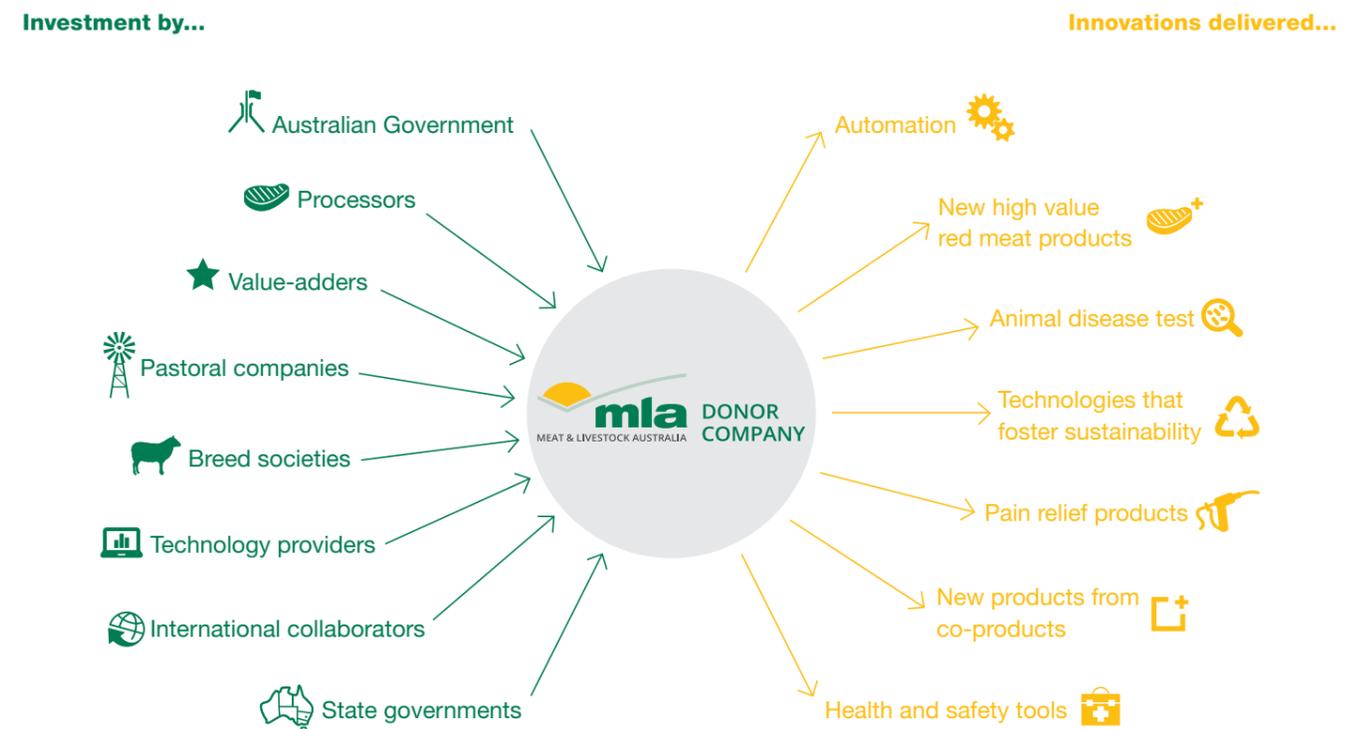
### Company Secretary

Christine Pitt (July 2015 – May 2016)  
Andrew Ferguson (from May 2016)

### OUR FEES

MDC projects include an access fee to cover costs associated with early stage feasibility studies, seed funding, industry dissemination, and operational costs.

Figure 1: The role of MDC



# CHIEF EXECUTIVE OFFICER'S REPORT

THIS IS A VERY EXCITING TIME FOR THE AUSTRALIAN RED MEAT INDUSTRY, WITH MDC IN A STRONG POSITION TO ACHIEVE ONGOING EXPANSION AND TO SUPPORT ACHIEVEMENT OF KEY INDUSTRY AND MLA'S STRATEGIC PRIORITIES.



**Dr Christine Pitt**  
Chief Executive Officer

MDC has a unique opportunity to attract additional voluntary contributions from external partners – partners who are willing to co-invest in a wide range of innovation projects aimed at improving whole of industry competitiveness in our markets here and around the world.

As noted in MLA's *Annual Report 2015-16*, this is due to MLA having access to more Australian Government funding than it can match with levies alone. This is due to a decline in levy income and an overall increase in the value of the red meat industry.

I'm pleased to say that MLA's forward thinking has seen an expanded MDC strategically positioned, in a most timely way, to capitalise on a convergence of opportunities the red meat industry cannot afford to miss.

Please enjoy our first annual report, and I welcome your feedback and comments on MDC's past 12 months of activities and performance.

## OUR ROLE

In the past, producers, investors and the broader red meat industry have sometimes been confused about the role of MDC and how it works within MLA.

Lessons learnt from the 2014 Senate inquiry into grassfed cattle levies and MLA's 2010 – 2015 Performance Review indicated that a new approach was necessary. As a result, MDC has significantly reviewed its holistic stakeholder engagement strategy and increased our communication activities. We are committed to ensuring that industry partners are fully aware of how they can participate in MDC initiatives. For partners and levy payers alike, we are also committed to demonstrating how the outcomes of MDC investments can deliver real benefits to their own businesses as well as the broader industry.

MDC is charged with increasing private investment in innovation, accelerating innovation and commercialisation of research outcomes as well as developing innovation capability across the whole red meat and livestock value chain. We are targeting high value growth opportunities for the entire red meat sector with our eyes firmly fixed on the next horizon for our industry.

## PERFORMANCE

MLA's latest Performance Review, for the period 2010-2015, showed that MDC is a strong performer, returning \$4 benefit for every \$1 invested. I am pleased to report that this independent external assessment of MDC expenditure also calculated an overall industry impact of \$517 million for MDC investments over the five year period.

During 2015-16, 80 new contracts were approved, bringing the number of current MDC contracts to 152 with a total budget of \$103 million under management, continuing the trend for larger value and more impactful investments.

As a safeguard, all MDC contracts are subject to a rigorous cost/benefit analysis and evaluation process. This is followed by further impact/benefit analyses at regular intervals during the life of the research and development phase of the project, and through the subsequent industry adoption and commercialisation stages. Outcomes from all completed MDC projects are published on the MLA website and strict licensing agreements ensure that our industry is able to derive first mover advantage wherever possible. Reports can be viewed at: [www.mla.com.au/mdc](http://www.mla.com.au/mdc)

Every \$1 invested in MDC yields

**\$4**

in current and future benefits

Value of active MDC contracts in 2015-2016

**\$103m**



MDC works to build innovation capability of value chains through tours including a trip to the IFFA trade fair to explore automation solutions.

## HIGHLIGHTS

MDC is committed to ensuring project outcomes deliver benefits along the entire red meat and livestock value chain and, during 2015-16, achieved some important milestones.

During 2015-16, leading Australian retailer, Woolworths launched innovative new grab-and-go hot roast and corned beef products aimed at capturing market share from the lucrative barbecue chicken sector. This innovation was a collaborative effort by MDC, Teys Australia and the Australian Meat Processor Corporation.

As a result of a partnership between MDC and Frewstal, hot lamb dishes will soon be available from vending machines following further testing for storage, delivery and management. This project was showcased this year at IFFA in Germany, one of the world's largest food innovation trade shows.

To extract more value from carcasses, MDC partnered with ProForm Gourmet to develop a high moisture cooking process that transforms under-utilised, low value trim into versatile cooked products. Proform Gourmet has now invested more than \$10 million of their own funds in a state-of-the-art Sydney processing plant and expects 2,000 tonnes of product to be manufactured in the first year of operation.

The Beef Information Nucleus projects, which represent significant levels of industry collaboration, continue to drive increased rates of genetic progress through quality and scale of performance recording, underpinned by genomic evaluation.

In the feedlot industry, MDC has partnered with Xinova to develop solutions for dags on cattle to improve productivity and animal welfare outcomes.

Livestock Data Link, funded by producer levies as well as MDC and processor partners, now has nine supply chains (involving 15 processing plants) uploading data to enhance information flow and improve decision making.

Carcass measurement technology continues to advance. Lamb producers will benefit from a dual energy X-ray (DEXA) lean meat yield fat composition measurement system (soon to be commercially implemented in a Bordertown supply chain), with further national adoption anticipated. Similarly, two beef DEXA measurement systems are also being progressed in collaboration with partner processors.

# CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED

Value of MDC projects already contracted to June 2017

# \$40m

In the processing sector, an X-ray guided beef rib cutter that was in production in June 2016 will achieve a net benefit of \$1.32/head while a mutton automated robotic six-way cutting system will provide a net benefit of \$1.44 million per annum. The net benefits from processing technologies, developed under the MDC program and installed up to June 2016, have now reached more than \$29 million per annum.

### LOOKING FORWARD

We know the innovation space is changing rapidly due to enormous global interest in food and agriculture investment, driven by rising worldwide demand for protein. MDC is deeply engaged in the application of design-led innovation, which features extensive end user consultation and rapid prototyping to ensure innovation investments deliver real and tangible benefits within accelerated timeframes.

In addition, and responding to pressure for all industries to become more agile to deal with increased market volatility and complexity, MDC is establishing a new innovation and entrepreneurship platform. The platform aims to fast-track the identification and development of 'big' ideas and create commercially viable solutions. This approach will seek to tap into new forms of investment from venture capital and private equity funds, develop new partners within the global ag-tech and food-tech accelerator and incubator community, and attract new entrepreneurs and start-ups to bring about the step changes our industry will need to prosper into the future.

**Table 1: Alignment of MLA strategic pillars with MDC's portfolio 2016-2020**

MLA strategic pillar	MDC strategic investment portfolio
 <p>1. Consumer and community support</p>	<ul style="list-style-type: none"> <li>• Animal health and welfare</li> <li>• Supply chain environmental sustainability</li> </ul>
 <p>2. Market growth and diversification</p>	<ul style="list-style-type: none"> <li>• High value food frontiers</li> </ul>
 <p>3. Supply chain efficiency and integrity</p>	<ul style="list-style-type: none"> <li>• Objective measurement</li> <li>• Supply chain logistics</li> <li>• Value chain digital strategy</li> <li>• Enhanced traceability and integrity systems</li> </ul>
 <p>4. Productivity and profitability</p>	<ul style="list-style-type: none"> <li>• Farm and feedlot productivity</li> <li>• Precision agriculture</li> <li>• Livestock genetics</li> <li>• Through-chain automation</li> </ul>
 <p>5. Leadership and collaborative culture</p>	<ul style="list-style-type: none"> <li>• Next generation: co-innovation program</li> <li>• Producer innovation fast-track program</li> <li>• Young food innovators: emerging leaders initiative</li> <li>• Digital value chain officers</li> </ul>
 <p>6. Stakeholder engagement</p>	<ul style="list-style-type: none"> <li>• MDC marketing and communications plan</li> </ul>

### UPCOMING PROJECTS

MDC's new strategic investment portfolio is directly aligned to extending the achievement of the *Meat Industry Strategic Plan 2020* and MLA's *Strategic Plan 2016-20* (see Table 1).

MDC already has numerous innovation projects underway across the entire red meat value and livestock chain with in excess of \$40 million worth of activity already contracted to the end of the 2017 financial year.

Later this year, and in line with our updated MDC communications plan, we will be publishing a more comprehensive document outlining MDC's future plans. As part of this process we will seek industry comment and input into the ongoing development of MDC's strategic investment portfolio, which will play a critical role in ensuring the overall achievement of industry's innovation priorities.

The development of the National Livestock Genetic Consortium (NLGC) continues, with MDC a major partner. Potential co-investors met in April 2016 and agreed to develop a formal NLGC governance structure. Terms of Reference and a Committee Charter have been developed for an interim steering committee.

The Australian Red Meat Industry's Digital Strategy Forum in Brisbane in 2016 will open the door to the entire value chain and MDC expects to play a key role in securing new investors into this exciting ag-tech space.

A new producer innovation fast-track program will be launched to encourage and showcase entrepreneurial activity within the producer sector and to equip producers with the necessary knowledge and skills to participate in the value chains of the future.

Removal of ammonia is critically important to enable abattoir wastewater, which is high in ammonia, to meet stringent regulatory levels. We are working with a partner to develop and optimise cutting-edge Anaerobic Ammonia Removal (AAR) technology for the treatment of abattoir waste. AAR offers the prospect of a cost-effective solution for removal of ammonia from abattoir wastes that would be suitable for most large meat processors in Australia. This project represents the first full-scale application of AAR in Australia and the first, anywhere in the world, to apply this technology at scale to red meat processing wastewater.

There are many more valuable projects underway than we have room here to highlight, however, in closing, I would like to draw attention to the contribution made by MDC's partners and collaborators. Their vision, courage and commitment to the red meat and livestock industry is often humbling and always integral to our ongoing competitiveness and success.



**Dr Christine Pitt**  
Chief Executive Officer



MDC is partnering with ProForm Gourmet to develop a high moisture cooking process that transforms low value trim into higher value, versatile, cooked products.



More than 300 industry stakeholders attended the Digital Strategy Forum in October 2016. MDC is seeking to attract new investors in this digital agriculture space.

# INDUSTRY PARTNERS



## 1. Darren Harpur CEO, Aduro Biopolymers

MDC funding was highly beneficial in developing bioplastics from bloodmeal in two ways. Firstly, it gave the project validity which helped attract further investor funding; secondly, it certainly helped bring it to the marketplace much faster. Through MDC and its funding, doors opened to us that we would have had trouble opening ourselves. Processors were happy to help us and talk to us about the project and then sought information on how it could fit with their businesses.

## 2. Nektia Nicolau Group Engineering Projects Manager, Thomas Foods International (TFI)

MDC funding fast-tracked the research and analysis into TFI's CAL (covered anaerobic lagoon) project. Such research reduced the risk to the facility and, as a result – rather than waiting for someone to prove the technology – we can provide accurate data to support other industry participants who are aiming to adopt this 'low energy' alternative to treating wastewater.

## 3. Simone Tully Founder and co-owner, Australian Organic Meats (AOM)

I originally approached MDC with the challenge of growing organic beef supply with a limited budget. It turned out to be very well timed. If we hadn't worked on increasing the number of certified organic producers when we did, we'd be very challenged today to fill the growing orders for organic beef. The return on investment for AOM's contribution to the project would be 20 to one achieved just through the premium of 25% on meat certified organic.

## 4. Martin Harmer Research agronomist, PGG Wrightson Seeds

Australian producers are at significant disadvantage compared to most of their international competitors as, unlike them, Australian producers currently don't have an independent scheme to test the performance of pasture varieties. Until now it has been far too difficult for producers to make truly informed, profit maximising and risk minimising choices about which pasture variety to invest in. Despite the availability of much improved varieties, more than 60% of the perennial ryegrass sown by sheep and beef producers today is no better than what was available in the 1930s. The Pasture Trial Network, which has come about due to a collaboration between MDC and industry, will go a long way to fixing this problem.

## 5. Merv Shirazi Project Manager, Scott automation + robotics

MDC co-funding of research projects like hyperspectral imaging was critical in allowing us to plan and purchase one of the most sophisticated hyperspectral imaging systems in the world for research in the area of food safety, hide defect identification, eating quality and grading of red meat.

The Australian red meat industry is certainly the leader on the global stage and innovation is one of the best ways and, perhaps, the only way to stay in this position for years to come. MDC funding for current and future projects is highly important to work with technology companies like Scott automation + robotics.

Investing in research and innovation with well-defined direction and application focused on the red meat industry is money well spent, and MDC management is certainly following this vision.

## 6. Darren Verrall General Manager, Australian Lamb Co.

Australian Lamb Company found the MDC R&D project to develop the automated Scotts' primal cutter delivered the results that we were hoping for and more. The benefits to our business are increased carcass yield, improvement of operator safety following the removal of manual bandsaws, reduced staff training costs, greater consistency and all over improved efficiency.

We have been very happy with the investment and have full confidence in the system. Sure, we have issues from time to time, it is a machine after all, but the upside far outweighs the downside for our business.

## 7. Stephen Dunn Managing Director, ProForm Gourmet

Without a doubt, ProForm Gourmet's \$10 million investment in the ProForm High Moisture Cooking processing facility would not have come about if it hadn't been for the MDC co-funding of the development phase. The project didn't just allow us to develop the technology, it showed us there was support within the red meat industry for our product and gave us the confidence to take it to the marketplace.

It is expected the new plant will convert low-value trim and offal into up to 2,000 tonnes of higher value, cooked red meat products in its first year of operation and will employ up to 20 staff.

# MDC 2015-16 HIGHLIGHTS

HIGHLIGHTS FROM MAJOR PROJECTS  
MDC HAS CO-INVESTED IN INCLUDE:

## AUTOMATED ROBOTIC BEEF RIB CUTTING

The first automated robotic beef rib cutting prototype was developed, which calculates precise cutting lines, objectively estimates the lean meat yield of the carcass and offers the option of value-based pricing of livestock.

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## RED MEAT FROM VENDING MACHINES

MDC supported an innovation by Australian lamb processor Frewstal to value-add lamb by developing ready-to-eat meals from vending machines.

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## GENETIC GAIN IN NORTHERN HERDS

The Tropical Beef Technical Services project was completed in 2015-16. Over the six years of the project, the rate of genetic progress of the partner breed associations increased. The average BreedObject selection index of animals rose by \$4.63/cow mated between the 2009 drop and 2014 drop calves.

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## GRAB-AND-GO BEEF

Hot, cooked beef products were rolled out to 900 Woolworths stores nationally, providing an opportunity to use 800 tonnes of outside flats, delivering \$5.5 million/year in new profit for the red meat industry.

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## ACID TOLERANT LUCERNE

MDC research has added confidence to recommending lucerne for acidic soils in south-eastern Australia, where increased growth could have a large impact on increasing livestock production and reducing supplementary feeding.

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# REPORT TO STAKEHOLDERS

Proportion of MLA research and development funded through MDC

# 33.6%

THIS REPORT TO STAKEHOLDERS PROVIDES A TRANSPARENT OVERVIEW OF MDC'S ACTUAL ACTIVITIES AND OUTCOMES IN 2015-16, REPORTING AGAINST THE OBJECTIVES AND PLANNED ACTIVITIES OUTLINED IN MLA'S ANNUAL OPERATING PLAN 2015-16.

MDC has regarded 2015-16 as a 'transitional year' given the release of the *Meat Industry Strategic Plan 2020* in September 2015 after MLA's *Annual Operating Plan 2015-16* had been finalised.

In 2015-16 MDC took its strategic direction from the Australian Government's Science and Research Priorities, Rural Research and Development Priorities and Agricultural Competitiveness White Paper Priorities, the *Meat Industry Strategic Plan 2010-2015* and the *MLA Corporate Plan 2010-2015*.

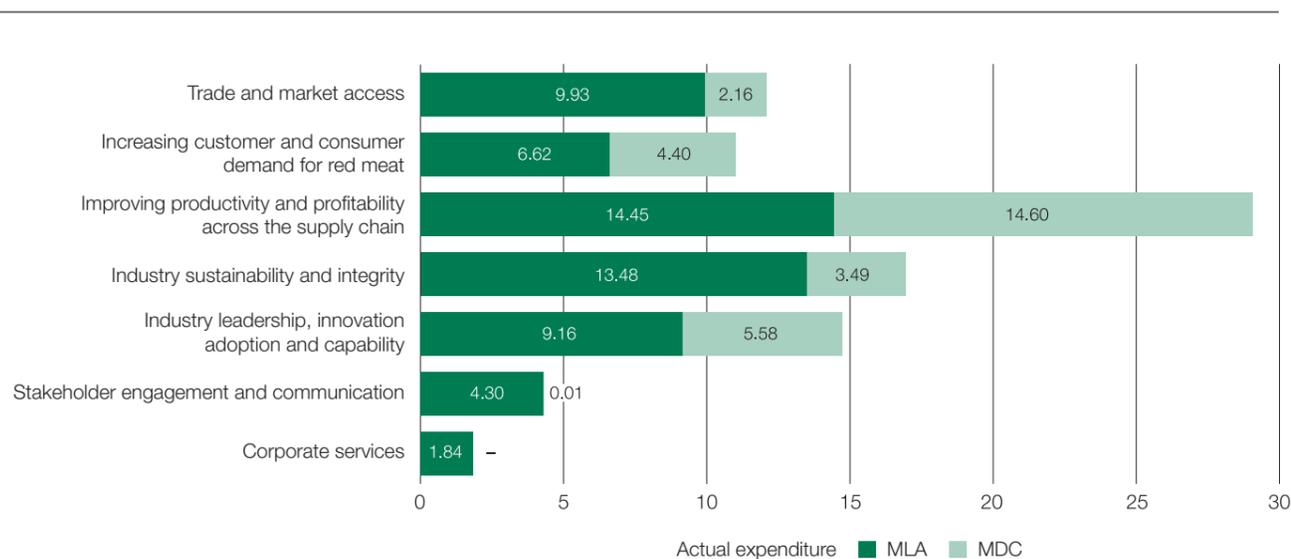
While MDC investments are closely aligned with MLA strategic pillars, MDC does not necessarily invest in all areas of the MLA strategic plan. MDC invested in five strategic investment areas in 2015-16 (see Table 2).

The graph below shows this alignment and the ratio between MLA levy-funded projects and MDC projects for research and development. Overall, MDC accounted for 33.6% of total research and development funded.

**"MDC is charged with increasing private investment in innovation, accelerating innovation and commercialisation of research outcomes as well as developing innovation capability across the whole red meat and livestock value chain."**

**Dr Christine Pitt**  
MDC Chief Executive Officer

**MLA and MDC investment by MLA strategic imperative area**  
\$ millions



**Table 2: Alignment of MLA strategic imperatives with MDC strategic investments in 2015-16**

MDC strategic investments	1. Whole of value chain insights to drive high value demand	2. Disruptive transformational productivity improvements	3. Industry integrity and sustainability	4. Driving innovation capability	5. Northern beef value chain program
MLA strategic pillar	Increasing customer and consumer demand for red meat	Improving productivity and profitability across the supply chain	Industry sustainability and integrity	Industry leadership, innovation adoption and capability	Improving productivity and profitability across the supply chain
Description	To increase the creation and capture of value along the chain, this area develops new knowledge and insights that informs more strategic 'demand driven' innovation investment decisions in a range of areas including new high value products, smart packaging, and value chain design in emerging markets.	To respond to increasing global competitiveness, this area focuses on disruptive transformational productivity improvements across the entire value chain including digital and automation solutions.	To enable the Australian red meat industry to remain ahead of global competitors, this area focuses on maintaining Australia's favourable disease status, world class food safety, traceability and integrity systems, and reputation for environmental management.	To enable the red meat industry to be sustainable in the future, this area works with industry partners along the value chain to develop a culture of innovation and to accelerate the adoption of innovation outcomes.	This area focuses on enabling northern beef value chains to exploit current and new market opportunities.

1

# WHOLE OF VALUE CHAIN INSIGHTS TO DRIVE HIGH VALUE DEMAND

TO INCREASE VALUE ALONG THE CHAIN, THIS AREA DEVELOPS NEW KNOWLEDGE AND INSIGHTS THAT INFORM MORE STRATEGIC 'DEMAND DRIVEN' INNOVATION INVESTMENT DECISIONS.



INVESTMENT

2015-16

\$4.4m

MDC supported the development of vending machines to heat single-serve lamb meals in just two minutes

KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
Develop novel value-adding options through packaging and product/process innovation that enhances demand for beef in global markets	Achieved	A suite of beef grab-and-go products successfully launched in the domestic retail market as a result of being developed through a strategic value chain partnership involving a key processor, a large retailer and MDC. A dry-aged beef production process was also developed
Work with supply chain partners and end customers to develop at least one new beef product opportunity that encompasses demand-driven technologies that transform and value-add low-value cuts, with the potential to add at least \$5/head in net value and grow demand for producers	Achieved	A range of new product concepts for targeted meal occasions including beef snacks and active ageing are under development after being identified through market and consumer focused insights  Examples of projects contributing to the \$5/head increased value include the deli hot box grab-and-go project which has the potential to deliver \$1.13/kg (\$2.39/head) net benefit, while the Smartshape meat shaping technology provides a premium of over \$0.50/kg \$6.25/head)
Work with supply chain partners and end customers to develop at least one new smallstock product opportunity that encompasses demand-driven technologies that transform and value-add low-value cuts, with the potential to add at least \$1/head in net value and grow demand for producers	Achieved	Several smallstock product opportunities were developed, including dry-aged sheepmeat (achieving a premium of \$3-\$4.39/head); recovered lamb meat from the aitch bone after leg boning; and deboned forequarter and leg meat to prepare cooked meals that will be sold directly to the end consumer via vending machines. The value-adding opportunity from these innovations has been quantified is at \$6.36/head
Design and deliver at least one industry workshop and/or communications resource that improves industry capabilities and awareness to adopt and prosper from new products and value-adding innovations	Achieved	A new 'web-scraping process' to gather market insights for lamb was delivered to a large processor and is now being adopted as a routine, cost-effective market insights method within its sales and marketing team. This concept will be further developed for broader industry adoption

MAJOR INITIATIVES

AREAS OF FOCUS  
Develop value chain innovation insights

- > Deliver innovation knowledge services related to emerging trends and growth opportunities and support design led research to inform future innovation investment decisions
- > Deliver innovation knowledge services which raise industry awareness of emerging trends and opportunities for new products, packaging and value chain business model innovations and support more informed innovation decision making for producers and their value chain partners

Develop novel value adding options through packaging and product innovation that enhances demand for red meat in global markets

- > Develop innovative new products, packaging and processes for red meat that support growth in high value markets and market segments
- > Build industry capability to adopt new products, packaging and value adding concepts that lead to growth in high value markets and market segments
- > Develop innovative technologies and processes to add value to red meat co-products

HIGHLIGHTS

DRY-AGED BEEF

In response to renewed interest in dry-aged beef in the foodservice sector, a major food manufacturer developed a best practice guide for this process via a MDC project. The guide, which is targeted at butchers and chefs to ensure consistent product, is supported by a YouTube video featuring MLA's Corporate Chef, Sam Burke.

PROFORM

MDC has been partnering with ProForm Gourmet Pty Ltd to develop a proprietary, high-moisture cooking process that turns under-utilised, low-value trim into fully cooked products. These can be diced, shredded, sliced and flavoured as a meat base with gourmet potential. They can be used for beef-based ready meals, pizza toppings, sandwich fillings, attractive and innovative protein solutions and even jerky.

The first stage of the joint project investigated the market size potential and the availability of raw ingredients to fill demand. It found that industry could increase the yield and return per carcass for processors and producers by value adding.

The project is now in the second stage, with ProForm Gourmet Pty Ltd commissioning a \$10 million commercial demonstration plant in Sydney, NSW. It will produce up to 2,000 tonnes of product in its first year that can be used to explore market opportunities.

RED MEAT FROM VENDING MACHINES

MDC supported an innovation by an Australian lamb processor and a technology provider to value-add lamb by developing ready-to-eat meals from vending machines. The vending machines can heat single-serve meals such as lamb meatballs in massaman curry in just two minutes. The vending machines were on show at IFFA, a global meat processing exhibition in Germany in May, and are looking to be trialled at railway stations and universities in Melbourne, Europe and the Middle East.

The vending machines value-add secondary cuts and provide convenient meals to time-poor consumers. They also create a new opportunity for Australian lamb in the face of volume restrictions into the EU (which apply to frozen but not cooked product).

The vending machines also collect point-of-sale information and will potentially gather consumer feedback.

GRAB-AND-GO BEEF

An MDC initiative with a large beef processor delivered a red meat alternative to 'grab-and-go' roast chickens in supermarkets. After trialling pre-cooked hot beef in selected Woolworths stores in Queensland in April 2016, two products were rolled out to 900 Woolworths stores nationally in July. The 'Cedric Walter' traditional roast beef and hot corned beef products are ready to slice and serve. The products add value to muscles such as the outside flat and use innovative packaging technology. The beef can be cooked in-store in a new high-temperature inner bag before being inserted into the outer carry-home bag.



# DISRUPTIVE TRANSFORMATIONAL PRODUCTIVITY IMPROVEMENTS

TO RESPOND TO INCREASING GLOBAL COMPETITIVENESS, THIS AREA FOCUSES ON DISRUPTIVE TRANSFORMATIONAL PRODUCTIVITY IMPROVEMENTS ACROSS THE ENTIRE VALUE CHAIN.



## INVESTMENT

2015-16

\$13.5m

» The first automated robotic beef rib cutting prototype was trialed in 2015-16 which calculates precise cutting lines and objectively estimates lean meat yield.

### KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
Development of at least two technologies that can predict yield and elements of eating quality in beef and lamb supply chains	Achieved	DEXA has been validated to provide high-accuracy prediction (85% relative to CT) of lean meat yield (LMY) for sheep. 3D-camera imaging has been developed to positive proof-of-concept to predict LMY in sheep and beef carcasses
Develop and demonstrate in a supply chain a high-volume sensing system to increase capacity and productivity and provide accurate supply chain data on carcass quality which offer options that can directly benefit producers	Achieved	Dual-energy X-ray absorptiometry (DEXA) lamb carcass lean meat yield prediction was demonstrated at the JBS Bordertown plant improving measurement accuracy to 85%, compared to CT scanning
Realise net benefits of \$1 million/annum from MDC-funded processing technologies for which installation is completed in 2015-16	Achieved	MLA's performance evaluation indicated \$2.51 million/year net benefits have been or will be realised from the following technologies that became operational in 2015-16: beef scriber/rib cutter, six-way cutting, LEAP III/IV primal and middle cutting and Bladestop™
Total aggregated net benefit of MDC-funded technologies installed in 2015-16 and previous years reaches \$10 million/annum	Achieved	MLA's performance evaluation indicated that for the period 2010-15 the aggregated net benefit of these technologies was \$345 million. This equates to \$69 million/annum
Five MDC-funded supply chain efficiency commercial innovations have achieved at least 80% of their annual adoption strategy targets including associated cost-benefit analyses	Achieved	83% of targets achieved with key achievements including: LEAP III/IV commercial sales to three processors; Australian Bladestop™ sales exceeding 129 units; X-ray guided beef rib cutter handed over to production and mutton automated robotic six-way cutting system moves to full production

### MAJOR INITIATIVES

#### AREAS OF FOCUS

**Enhanced rates of animal and feedbase genetic improvement for the beef industries**

#### Beef Information Nucleus (BIN)

- > Angus, Hereford, Brahman and Wagyu BINs already in place
- > Development of new multi-breed BIN projects
- > Development of domestic and international applied genetic research and development projects

#### Improved productivity in grazing and feedlot systems

- > Develop technologies and management programs to increase grazing performance, reproduction and livestock survival in grassfed and feedlot systems

#### Develop and prove technologies that improve carcass information

- > Develop and prove objective carcass measurement technologies that predict a range of carcass attributes including eating quality and lean meat yield

#### Facilitate improved information flows within value chains

- > Develop objective measurements to support a whole-of-industry information exchange strategy including MDC-supported implementation of Livestock Data Link and improved traceability systems

#### Develop new technologies to improve value chain productivity and efficiency

- > Develop and implement transformational automation technologies that increase processing efficiency and maximise carcass utilisation for both lamb and beef

### HIGHLIGHTS

#### NATIONAL LIVESTOCK GENETICS CONSORTIUM LAUNCH

Red meat producers will benefit from the National Livestock Genetics Consortium which aims to double the annual rate of improvement in industry genetic value by 2022. To date this new model of research, development and adoption has generated more than \$32 million in cash and attracted more than \$38 million of in-kind resources, in addition to \$52 million already invested by MLA, MDC and others. The aim is to deliver affordable, accurate and easy-to-use technologies for genetic improvement in beef, cattle and sheep.

#### BEEF INFORMATION NUCLEUS

Genomic data, underpinned by high quality BIN data, will drive increased rates of genetic progress over the next decade, especially for reproduction in northern Australia. The BIN program continues to play an important role in bridging the gap by allowing hard and expensive to measure traits to be collected and demonstrate the value to industry.

In 2015-16 three BIN projects were ongoing (Angus, Hereford and Northern steers) and two new BINs were commenced (Northern steers II and Trans-Tasman).

#### LAMB AUTOMATION

Commercial interest in robotic cutting and measurement technology has created strong research-industry partnerships through MDC, reflected in the uptake by lamb processors of LEAP III (primal cutting using DEXA X-ray), LEAP IV (middle cutting system) and LEAP V (forequarter processing). LEAP V, presently a high-throughput production prototype, will

be introduced into two new processing facilities during 2016-17.

A six-way automated robotic cutting system for mutton and goat also reached working prototype phase. Uptake of the BladeStop™ bandsaw, which reduces serious workplace injuries, has increased to 129 units across the Australian meat supply chain. During 2015-16 an impact study on the return on investment of MDC's automation program indicated a 4.7:1 benefit-cost ratio on investments.

#### AUTOMATED ROBOTIC BEEF RIB CUTTING

The significant achievements in lamb automation in recent years started flowing through to the beef sector in 2015-16, with the development and installation in a production environment of the first automated robotic beef rib cutting prototype. The system uses advanced imaging based on dual energy X-ray, laser-line scanning and colour imaging. These technologies calculate precise cutting lines, objectively estimate the lean meat yield of the carcass and offer the option of value-based pricing of livestock.

Developed by Scott automation + robotics in partnership with MDC, this new system is faster, more accurate and consistent, safer and more efficient than the manual process of determining lean meat yield. Objective measurements using DEXA have achieved 90% accuracy/consistency in lamb and an encouraging result in beef, as calibrated to the gold standard of helical CT scanning. In comparison, subjective measurement is only about 30% accurate. The working prototypes are now in production.

# 3

## INDUSTRY INTEGRITY AND SUSTAINABILITY

TO ENABLE THE AUSTRALIAN INDUSTRY TO REMAIN AHEAD OF GLOBAL COMPETITORS, THIS AREA FOCUSES ON MAINTAINING AUSTRALIA'S FAVOURABLE DISEASE STATUS, WORLD CLASS FOOD SAFETY, TRACEABILITY AND INTEGRITY SYSTEMS, AND REPUTATION FOR ENVIRONMENTAL MANAGEMENT.



### INVESTMENT

2015-16

# \$5.7m

Covered anaerobic lagoons have helped to generate energy, reduce greenhouse gas emissions and improve the quality of water discharged from Thomas Foods International's Murray Bridge plant.

### KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
Implement eNVD data standards for business-to-business use	Achieved	Data standards were developed for the eNVD and a portal was made available to software providers via MDC to access the data standards and tools to build software for the delivery of eNVDs
Completed efficacy trials using the Barbervax vaccine for barber's pole worm in goats, enabling a claim to be submitted to the Australian Pesticides and Veterinary Medicines Authority (APVMA) for Australian goats and Barbervax	Partly achieved	Efficacy field trials were performed and unfortunately the results were mixed: one trial worked well, a second showed some positive effects, but a third failed. Because the anti-vaccine antibody responses were similar in all three trials, the underlying cause of the variable vaccine efficacy is not understood. It was concluded that the results were too variable for registration to be granted by the regulators
Technologies/processes that in combination, demonstrate >10% reduction in electricity usage by meat processors defined and/or validated	Achieved	An MDC project investigating the optimisation of biogas production from covered anaerobic lagoons demonstrated increased biogas production by 10% which offset more than 5% of natural gas use at the site  Another MDC project will save 10% of another processing plant's boiler fuel requirements (equivalent to a reduction in natural gas use of 17,000GJ per year)  A further MDC project investigated new approaches to flash steam recovery in a rendering cooker and discovered 15% energy recovery potential
New technologies or processes capable of reducing the fossil fuel consumption (LPG/natural gas/coal etc) for meat processing plants by 5% are defined and/or validated	Achieved	An MDC project is looking at 'phytoremediation' (the use of plants to clean up polluted soils) as a new way to 'polish' waste water from abattoirs and move toward more sustainable waste water management and less dependence on town water
High-rate anaerobic pond technology adopted with ex-post cost-benefit analysis completed	Achieved	MDC projects with two value chain partners on high-rate anaerobic digestion completed
Ex-ante cost-benefit analysis on conversion of waste to value-add products completed	Achieved	An MDC project with a value chain partner on the cost-benefit analysis of converting blood meal to bioplastic was completed. A feasibility study into a centralised waste treatment facility was successful and is progressing to secure funds for building

### MAJOR INITIATIVES AND HIGHLIGHTS

#### AREAS OF FOCUS

**Conduct scientific research to ensure food safety systems are at the leading edge of knowledge and practice**

- > Develop and implement new techniques and systems for delivering safe and wholesome products

**Support the development and uptake of food safety and quality assurance systems by all sectors of the red meat supply chain**

- > Deliver programs that underpin the integrity of the Australian red meat and livestock industry, including enhancing and supporting the LPA and NVD programs

**Support sustainable on-farm resource productivity**

- > Respond to climate variability through the development of resilient farming systems from mitigation and adaptation strategies
- > Develop cultivars and/or agronomic practices to improve persistence and/or quality of forage
- > Accelerate discovery and delivery of new plant breeding methods and cultivars to improve feedbase productivity, quality and persistence

**Develop and implement through chain environment strategy**

- > Improve efficiency of energy and water use and management of, and value adding to, waste along the value chain
- > Identify and quantify the value propositions for producers through the adoption of environmental value chain opportunities

**Manage and improve livestock welfare to meet community expectations**

- > Improve animal welfare on-farm
- > Improve the management options for key feedlot welfare issues

**Support industry to improve animal health and biosecurity**

- > Deliver improved diagnostic methods, enhanced understanding and/or improved control measures for external threats
- > Improve biosecurity measures that will minimise the threat/risk of endemic, emerging and exotic diseases to production and trade
- > Investigate and improve the management of key feedlot animal health problems
- > Invest in priority endemic diseases to reduce the cost to industry

### HIGHLIGHTS

#### eNVD

NLIS (via MDC co-investment) has been working with software integrators to fast-track commercial development and trial of eNVD software across all red meat sectors. This will enable NVDs to be paperless.

#### ACID TOLERANT LUCERNE EVALUATION

Results from an MDC project evaluating acid tolerant lucerne have added confidence to extension officers and seed companies who recommend lucerne (SARDI 7 series 2) for acidic soils in south-eastern Australia, where it could have a large impact on increasing livestock production and reducing supplementary feeding.

#### JOHNE'S DISEASE

An MDC project which examined diagnostic, predictive and preventative tools for Johne's Disease in sheep and cattle was completed. New diagnostic tools were developed and refined to replace older tools, and for early testing.

#### BIOSECURITY

During 2015-16, MDC invested \$2 million in the Foot and Mouth Disease Risk Management Project (continuing until March 2017) which is investigating which virus serotypes are present in neighbouring countries and ensuring a vaccine is available should an outbreak occur. As a result of this investment, Australia is considered internationally as a leading authority on this disease.

#### BIOPLASTICS FROM BLOODMEAL

MDC has been investigating new value-add opportunities for bloodmeal from abattoirs. Research and development resulted in Novatein®, a bioplastic created from bloodmeal. This product can be manufactured at a much lower price than competitor bioplastics. It can be formed into a range of useful products, including rapidly degradable lamb or cattle rectal plugs to replace conventional clips and plugs that can contaminate rendering and wastewater treatment processes.

#### WASTE WATER TREATMENT

Thomas Foods International (TFI) partnered with MDC and service providers Johns Environmental and Quantum Power to build two covered anaerobic lagoons (CALs) at TFI's plant in Murray Bridge, South Australia, to trial best practice waste water treatment design and implement a best practice waste water treatment system.

# 4

## DRIVING INNOVATION CAPABILITY

TO ENABLE THE RED MEAT INDUSTRY TO BE SUSTAINABLE IN THE FUTURE, THIS AREA WORKS WITH INDUSTRY PARTNERS ALONG THE VALUE CHAIN TO DEVELOP A CULTURE OF INNOVATION AND TO ACCELERATE THE ADOPTION OF INNOVATION OUTCOMES.



### INVESTMENT

2015-16

# \$5.1m

» Emily Sims is one of nine young professionals participating in the Future Livestock Consultants' project. She is completing a two-year internship with Tamworth-based consultancy firm, Agripath.

### KEY MILESTONES

MILESTONE	RESULT	COMMENTARY
The Collaborative Innovation Strategic Partnership (CISP) program is demonstrating significant benefit to processors and producers as evidenced through a stakeholder engagement survey	Achieved	Endorsement of the CISP program is evidenced by 100% agreement to progress at scheduled go/no go review meetings. Positive feedback was also provided through media reports of producer and value chain workshops, and via independent third-party interviews. Transitioning five value chains to the next phase of the program also demonstrates the program is delivering benefits
The 'young value chain innovators program' is designed and delivered and attracts at least 15 participants and is supported by industry and university programs	Achieved	There has been placement of 15 trainees in the 'Food Value Chain Innovators – Emerging Leaders Program' as a major initiative of the building industry capability pillar of the Insights2Innovation Rural R&D for Profit grant project

### MAJOR INITIATIVES

- AREAS OF FOCUS**
- Attract and build individual value chain innovation capability**
    - > Young Value Chain Innovators – Emerging Leaders Program initiated within 2015-16
  - Work with enterprises and value chains to build capability to implement innovation strategies**
    - > Deliver the CISP program
    - > Develop and deliver targeted value chain capability flagships
  - Support the development of essential science, research, technical and extension capabilities**
    - > Build professional capability and scientific knowledge of RD&E providers in the on-farm discipline

### HIGHLIGHTS

**COLLABORATIVE INNOVATION STRATEGIC PARTNERSHIP PROGRAM**  
 MLA's Collaborative Innovation Strategic Partnership (CISP) program aims to build innovation capability along the value chain. During 2015-16, companies participating in the program represented 66% of Australia's total beef and sheepmeat production. Analysis of the 2015-16 program has shown MDC's partnerships with industry have created increased appetite for operational excellence investment and risk which has driven investment in innovation. During 2015-16, the application of beef spray chilling technology across eight beef processing sites, within one CISP partner business, proved it could deliver more than \$11/head return in yield savings (by reducing carcass shrinkage) and provide a direct annual benefit of more than \$7 million. Other processing improvements, broadly adopted by CISP partners, include the rollout of the fully automated lamb LEAP system X-ray primal and middle cutting machine, a beef X-ray machine that provides accurate cutting of rib set, the use of RTL aitchbone pullers and a beef knuckle puller which have created combined savings of up to \$500,000 in occupational health and safety benefits. A significant number of CISP partners are now involved in more comprehensive innovation strategies which include a supply chain focus (with strong producer engagement) and new initiatives in the development of high value product and packaging concepts.

**NEXT GEN LIVESTOCK CONSULTING**  
 Nine young professionals are participating in the Future Livestock Consultants' project, which is trialling a new approach to attract and retain private consultants for the red meat industry. Participants are provided with two-year internships at consulting firms, who co-fund the project with MDC. As well as creating a national network of consultants, the program provides mentoring, training and professional development to equip interns with skills and tools to build a more productive, profitable and sustainable red meat and livestock advisory industry. The interns are also completing the University of New England Graduate Certificate in Agricultural Consulting, a course developed by the Sheep CRC.

**EMERGING LEADERS**  
 As part of the Australian Government's Department of Agriculture Rural Research and Development for Profit grant, MLA has joined forces with other agri-food bodies to develop the 'Emerging Leaders' initiative. This program aims to retain and develop the 'bright young minds' of Australia's agri-food industries and to create thought leaders for the future. The first intake of Emerging Leaders in June 2016 included 15 participants, with eight in the red meat industry who were placed in traineeships with seven processing and value-adding companies. The program involves a structured learning and development component including six residential programs with leading domestic and international universities to build participants' skills in areas such as design thinking and value chain innovation.

# 5

## NORTHERN BEEF VALUE CHAIN

THIS AREA ENABLES NORTHERN BEEF VALUE CHAINS TO EXPLOIT CURRENT AND NEW MARKET OPPORTUNITIES.



### INVESTMENT

2015-16

# \$1.6m

Nearly 50,000 Brahman mating records have been submitted to Brahman BREEDPLAN as part of an MDC project with Tropical Beef Technical Services.

### KEY MILESTONES

Milestones outlined in strategic investment areas one to four above contain milestones covered by this area.

### MAJOR INITIATIVES\*

#### AREAS OF FOCUS

##### Attract and develop value chain innovation capability

- > Placement of value chain managers within commercial value chains
- > Increase the capacity of industry to employ best practice value chain development and business model innovation methodologies

##### Work with enterprises and value chains to build capability to implement innovation strategies

- > Deliver the Collaborative Innovation Strategic Partnership (CISP) program
- > Develop and deliver targeted value chain capability flagship program demonstrating how new value chains can be designed and developed to capture growth opportunities

##### Support the development of essential science, research, technical and extension capabilities

- > Build professional capability and scientific knowledge of RD&E providers in the on-farm discipline

##### Develop and deliver northern beef productivity improvements

- > Reproduction
- > Grazing land management
- > Nutrition and growth
- > Human capacity (extension)
- > Animal health and welfare
- > Information technology and precision livestock management
- > Climate change

##### Leverage investment and collaborate with DAFWA via the Royalties for Regions Northern Beef Futures

- > New markets and supply chains
- > Supply chain maturation
- > Investment and capital
- > Mosaic agriculture opportunities
- > Research logistics and infrastructure requirements
- > Practice change and capability development

##### Partner and support the CRC for developing northern Australia (formally known as the growNORTH CRC) to deliver research that will lower investment barriers and enable significant development in the north

- > Animal and plant improvement and sustainability
- > Enabling technologies and automation
- > Markets and value chain investments

##### Development of northern beef 'flagship value chain programs' and value chain development activity

- > Partner with commercial northern beef value chains to develop appropriate innovation responses to realising market opportunities

\*These represent a northern-centric sub-set of other initiatives outlined across all the strategic investment areas.

### HIGHLIGHTS

#### GENETIC GAIN IN NORTHERN HERDS

The Tropical Beef Technical Services project was completed in 2015-16. Over the six years of the project, several outcomes were achieved. The rate of genetic progress of the partner breed associations increased. The average BreedObject selection index of animals rose by \$4.63/cow mated between the 2009 drop and 2014 drop calves.

Mating records for partner breed societies have increased since January 2014. Nearly 50,000 Brahman mating records have been submitted to Brahman BREEDPLAN and more than 13,000 for the Santa Gertrudis breed. More than 1,000 mating records have been submitted for the Droughtmaster breed since January 2015 in preparation for developing a 'days to calving' Estimated Breeding Value (EBV) analysis.

A further outcome was the development of a 'days to calving' EBV for the Belmont Red breed.

#### ROYALTIES FOR REGIONS NORTHERN BEEF FUTURES

Royalties for Regions is an initiative of the Government of Western Australia and provides infrastructure and services with the aim of building vibrant regional communities with strong economies. Since 2008, the Government has invested \$6.9 billion into more than 3,700 Royalties for Regions-funded projects and programs. MDC was involved in four initiatives in 2015-16.

One of these projects aims to transform beef production systems in northern WA through exploring the expansion of mosaic

agriculture around irrigation precincts and improved rain-fed forage systems. The next phase of the project is to develop a strong evidence base – based on testing on-ground conditions and using various non-indigenous plant species – to support the future of mosaic agriculture. Extending the scope of the project to the Pilbara and Gascoyne is currently under consideration.

Other projects include exploring the potential for a grassfed assurance product offering from northern WA; a CEO mentoring program in enterprises seeking to target high value export market opportunities; and building capability within the V&V Walsh value chain.

#### OPTIMISING LEUCAENA PRODUCTION

An MDC project is determining the establishment and management requirements for optimising the production of dryland and irrigated leucaena. It will provide new information on spacing requirements and water use efficiency of leucaena.

MDC also provided support to The Leucaena Network, a producer based organisation that assists in extension and adoption activities for producers seeking to integrate leucaena into their production systems. The Leucaena Network also contributes to the revision and ongoing promotion of the Code of Practice for leucaena management which minimises the environmental weed risk. This is particularly important with the release of the new 'Redlands' psyllid-resistant variety which makes leucaena a more attractive option in higher rainfall regions of northern Australia.

#### ORGANIC CERTIFICATION

MDC and producer-owned meat wholesaler and exporter, Australian Organic Meats, partnered to grow the organic supply chain via producer education, development of resource materials and support through the accreditation process. It was underpinned by accurate business benchmarking to demonstrate the economic benefits of best practice organic beef production.

Workshops were held to explain the transition process and to educate producers on organic alternatives to manage pests and diseases in their herd.

At the conclusion of the project 59 properties were "transitioning" to become fully certified organic operations. The first certified organic animals from these newly accredited producers will be available for sale in 2016.

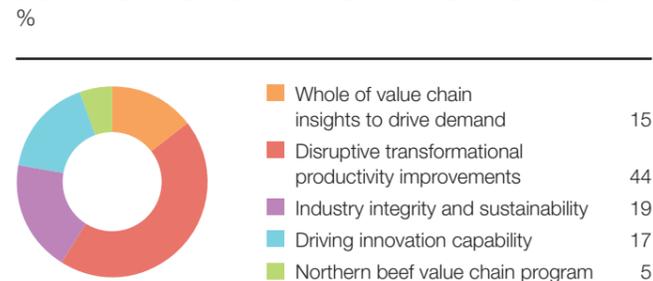
# FINANCIAL SUMMARY

THE TOTAL VALUE OF RED MEAT AND LIVESTOCK PROJECTS IN PROGRESS WITHIN MDC AS AT 30 JUNE 2016 WAS \$103 MILLION. ACTUAL EXPENDITURE IN 2015-16 WAS \$30.2 MILLION.

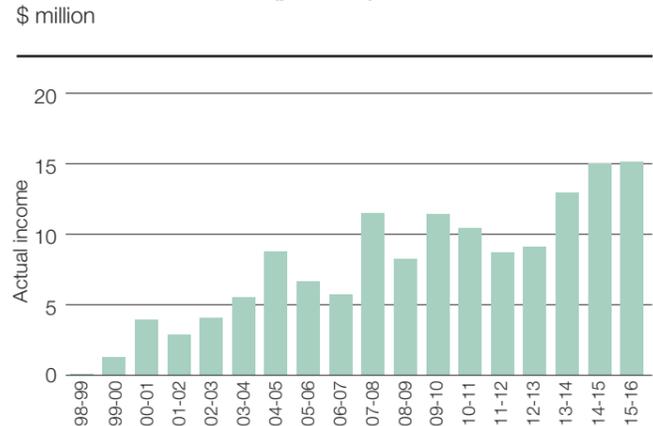
## MDC FUNDING SOURCES IN 2015-16



## MDC INVESTMENT BY STRATEGIC INVESTMENT AREA

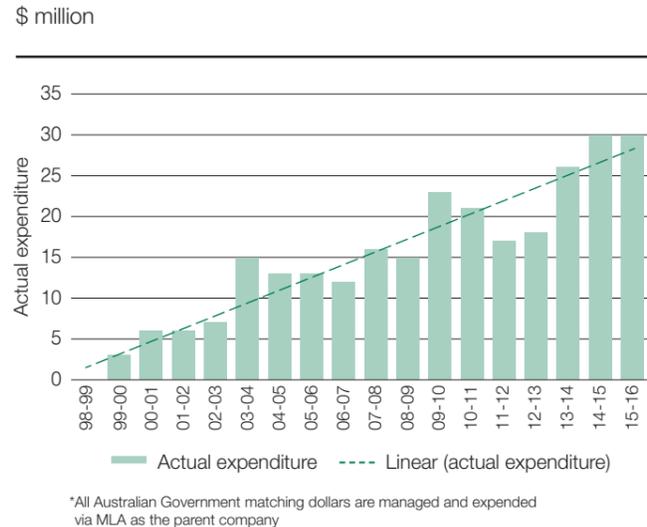


## MDC ACTUAL INCOME (partners)\*

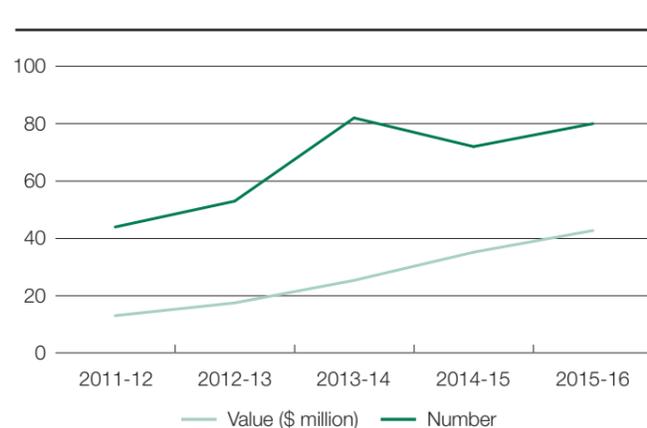


\*All partner funding is matched with Australian Government funding which is managed and expended via MLA as the parent company. Hence, Australian Government matched funding is not shown in this graph.

## MDC ACTUAL EXPENDITURE\*



## NEW CONTRACTS APPROVED BY MDC



# CORPORATE GOVERNANCE FRAMEWORK

MDC operates under MLA's corporate governance framework which is set by the Board, having regard to the best interests of MLA's members, the values of the organisation, MLA's obligations set out under its Statutory Funding Agreement with the Commonwealth of Australia (Deed), and in accordance with the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations (3rd edition)*.

This long-established framework has been implemented to ensure MLA remains accountable to its stakeholders and stakeholder interests are protected. MLA's governance arrangements are reviewed regularly to reflect industry developments, stakeholder expectations and regulatory and legislative changes.

## STRATEGY AND PRIORITY SETTING

MDC follows the MLA Annual Operating Plan (AOP) and all investments align to MLA key milestones and major initiatives. The MDC Board approves an MDC AOP that outlines targeted focus areas of investment. The budgets developed for MDC are indicative values in portfolio focus areas. They are subject to periodic review as the nature of the MDC co-investment mechanism means that if the partners do not invest in certain focus areas MDC cannot invest in those areas.

## PROGRAM AND PROJECT APPROVALS

MDC is a part of the MLA governance process for all program and project approvals with the MDC Board approving projects over \$1 million and the MLA Leadership Team approving all other projects.

To manage the MDC 'pipeline' and to inform new project approvals, the MDC Board determines the preferred portfolio balance including a maximum allocation of funds for specific program initiatives where considered appropriate. Program managers are required to submit program strategy papers as determined by the Board.

MDC and Australian Meat Processor Corporation (AMPC) have developed a joint process to approve Plant Initiated Projects (PIPs) as follows:

- AMPC and MDC have merged the project review and approval process for both organisations in order to streamline and address governance concerns in a united way
- Budget meetings are merged and reporting is streamlined in order to improve timeliness and effectiveness of progress reporting and to meet AMPC governance requirements
- The program embraces a single process in order to eliminate any disparity between AMPC and MDC applications. This has simplified the application and review process for processors applying to the program

# MDC BOARD

MDC IS GOVERNED BY A SKILLS-BASED BOARD COMPRISED OF FIVE DIRECTORS WITH A BROAD RANGE OF SKILLS, EXPERIENCE AND EXPERTISE NECESSARY TO GUIDE THE COMPANY.

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. ALL DIRECTORS WERE IN OFFICE FOR THE ENTIRE YEAR UNLESS OTHERWISE STATED.



## 1. LUCINDA CORRIGAN BScAgr (Hons 1) FAICD

**Chair**  
**Director since February 2008**

Ms Corrigan is a Director of Rennylea Angus, a leading beef genetics business running 3,000 head of cattle across five properties in the Murray Valley of NSW. Rennylea supplies commercial producers across Australia and genetic products to international markets. Ms Corrigan has skills and experience in R&D, genetics, natural resource management, communications, marketing and advocacy and for 20 years has served as a non-executive director on industry bodies and innovation companies. She has been a Director of four CRCs, including Deputy Chairman of the Future Farm CRC. In 2014 she was appointed Commissioner of the Australian Centre for International Agricultural Research. She is Chairman of the advisory committee of the Graham Centre, a partnership between Charles Sturt University and NSW Department of Primary Industries. In the Holbrook community, she is convenor of the local beef group's activities. She is a Fellow of the Australian Institute of Company Directors and the Australian Rural Leadership Foundation. Ms Corrigan is also a Director of Meat & Livestock Australia Limited.

## 2. ROBERT FITZPATRICK BEc, LLB, MBA, GAICD

**Director since December 2015**

Mr Fitzpatrick is an industry business builder and technology expert with 30 years' experience in world-class sales and marketing, for small and medium enterprises and start-ups, through to large corporates and government agencies. Widely travelled, with a strong track record as a business builder, Mr Fitzpatrick has a detailed understanding of industry representative bodies, fast moving consumer goods, research and higher education, retail, telecommunications and the Information and Communications Technology (ICT) sectors. He has a passion for improving the efficiency of Australia's agricultural sector, applying new analytics to de-bottleneck supply chains and dramatically reduce the cost of moving product from farm gate to foreign markets. Mr Fitzpatrick is a director of the Australian Academic and Research Network (AARNet), Robec Oz and CEO of the Australian Information Industry Association, and a committee member of the Export Council of Australia. Mr Fitzpatrick is also a director of Meat & Livestock Australia Limited and National Livestock Identification System Ltd.

## 3. GEOFFREY MAYNARD BBus

**Director since January 2012**

Mr Maynard runs a 10,000-hectare cattle stud seedstock operation near Jambin in central Queensland. He has 35 years' experience in northern production systems, and has had significant involvement in collaborative research and genetics programs. Maynard Cattle Company has been one of the largest users of embryo transfer technology in northern Australia. The Maynard Family was one of the largest suppliers of cattle for the Beef CRC I Project in the 1990's and participated in CRC II and CRC III. Mr Maynard was previously the Vice-Chair of the Beef Australia Board and a past member of the industry advisory committee of the Beef CRC II. Mr Maynard is also a director of Meat & Livestock Australia Limited.

## 4. CHRIS MIRAMS GradDip Financial Markets

**Director since March 2016**

Mr Mirams is an agricultural consultant based in Albury and has extensive commercial and practical experience in southern Australian sheep meat production and managing sheep enterprises covering prime lamb, wool and meat with the latest technology and benchmarking. He has significant experience in strategic research and development, broad commercial experience in southern beef production, specialist skills in business, finance, corporate governance, communication and leadership. Mr Mirams is passionate about the agricultural industry and rural and regional Australia. Mr Mirams participated in the Australian Rural Leadership Program, is a past Chair of Holbrook Landcare Network and EverGraze National Advisory Committee and served on the AVCLP and Scots School Albury boards. Mr Mirams is also a director of Meat & Livestock Australia Limited.

## 5. RICHARD NORTON MBA

**Director since June 2014**

Mr Norton joined MLA as Managing Director in June 2014. The fifth generation of a beef and sheep farming family from Monaro NSW, Mr Norton began his working life as a rouseabout and jackaroo. He has spent more than 20 years serving livestock producers as a stock agent and auctioneer across NSW, where he still farms beef. His drive to see Australian agribusiness thrive has led him to hold various executive positions, including Head of Live Export and International Trade Operations Australia, a subsidiary of Agrium Inc based in North America. In addition to roles in agribusiness, Mr Norton has held executive positions in retail, manufacturing, logistics and warehousing with Woolworths, Coca Cola, Wesfarmers and Toll Holdings. Richard has an MBA from Monash University, and has held various Board positions including Agrium Asia Pacific, the Australian Wheat Board, RD1 New Zealand, Landmark Harcourts and Australian Wool Handlers. He was also Chairman of Integrated Traceability Solutions (Global) and AuctionsPlus. Mr Norton is the Managing Director of Meat & Livestock Australia Limited and a director of National Livestock Identification System Limited, Red Meat Traceability Systems Pty Ltd and AUS-MEAT Limited.

## 6. CHRISTINE PITT DBA, MHA, BSc

**Chief Executive Officer since 1 May 2016**  
**Company Secretary, 21 July 2006 – 06 May 2016**

In addition to holding the office of Company Secretary for MLA Donor Company and ensuring effective governance processes for MDC, Dr Pitt was the General Manager of Value Chain Innovation. In that role Dr Pitt oversaw MLA's value chain innovation team, including extensive off-farm R&D programs and commercialisation portfolio in the Australian red meat industry which includes: global innovation insights; value chain innovation; product development and value-adding; automation technology; and building industry innovation capability. Part of this portfolio included overseeing the program of work through MLA Donor Company, encouraging voluntary investments via MDC project activity and increasing adoption of MDC outcomes. Dr Pitt was appointed as Chief Executive Officer of MLA Donor Company on 1 May 2016.

## 7. ANDREW FERGUSON BA, CA

**Company Secretary**  
**Appointed 06 May 2016**

Mr Ferguson joined MLA as Chief Financial Officer in December 2015. Andrew is a Chartered Accountant with over 20 years of commercial and financial experience in both the UK and Australia. His previous roles include senior finance roles with Ruralco Holdings, NRMA and Jetset Travelworld. Prior to this, Mr Ferguson worked as a Senior Manager with EY.



# EVALUATION AND COLLABORATION

Increase in net industry income from new product projects that were either 50 or 100% MDC funded

\$33m

increase in net industry income from animal genetics work that was funded 14% by MDC

\$69m

## EVALUATION

During 2015-16 MLA released the results of a rigorous and independent review of its performance, testing its service delivery to stakeholders and relevance to industry. MDC was included as part of the review. There were four key recommendations – two of which mentioned MDC:

1. MLA should maintain its present company structures to ensure the necessary ‘breathing space’ for it to operationalise the internal reforms that have been carried out during the past three years. The continuation of MDC, as a fully-owned subsidiary of MLA, is supported with recommendations for some enhancements.
2. The Meat Industry Strategic Plan (MISP) 2020 is under-utilised as a planning, investment, engagement and communication tool and should be used as the access and exit point to MLA. This would reinforce its role as a strategic planning and operational tool which drives internal and external company interactions.
3. Listening is not enough. Genuine partnerships with industry are needed to drive future performance with an emphasis on meaningful stakeholder engagement and building trust for the mutual benefit of stakeholders and MLA.
4. The activities of sourcing and procurement cause performance issues for MLA and MDC. A leaner, more flexible procurement process needs to be identified and implemented which will help both entities achieve more from their investments and accelerate the realisation of MISP 2020 for the industry’s benefit.

The review, which informs MLA’s next five-year funding agreement with the Australian Government, also shaped MLA’s *Strategic Plan 2016-2020*.

An economic impact assessment of MLA’s research, development and marketing programs (from 2010-11 to 2014-15), conducted by the Centre for International Economics, AgStrat Associates and ISJ Investments, showed significant returns on investment for industry. For every \$1 invested in these programs, industry is recouping \$6.20, a benefit-cost ratio of 6.2 to 1. In total, MLA’s \$997 million investment over this period will benefit industry to the tune of \$6,170 million now and into the future. MDC was included within the scope of this assessment. The review highlighted an industry impact of \$517 million, with a benefit cost ratio of 4.0:1.

MDC investments during this period have related to the following key program areas:

- New products – a \$33 million increase in net industry income from projects that were either 50 or 100% MDC funded
- Productivity on-farm – a \$69 million increase in net industry income from animal genetics work that was funded 14% by MDC
- Processing efficiency – a \$194 million increase in net industry income from a selection of processing productivity projects that were predominantly MDC funded
- Animal health and biosecurity – non quantifiable benefits from MDC funded development of vaccines
- Off-farm environmental sustainability – a \$40 million increase in net industry income from a selection of processing sector environment projects that were predominantly MDC funded

“As a safeguard, all MDC contracts are subject to a rigorous cost/benefit analysis and evaluation process. This is followed by further impact/benefit analyses at regular intervals during the life of the research and development phase of the project, and through the subsequent industry adoption and commercialisation stages.”

**Dr Christine Pitt**  
MDC Chief Executive Officer

## CONSULTATION AND COLLABORATION

MDC investments are aligned with MLA’s Annual Operating Plan which is endorsed by the peak industry councils and aligns with the Meat Industry Strategic Plan.

MLA management promote MDC as a vehicle for industry investment noting that collaboration and cash contributions are required by partners for the investments to progress. MDC has noted recommendation four from the performance review “A leaner, more flexible procurement process needs to be identified and implemented which will help both entities achieve more from their investments and accelerate the realisation of MISP 2020 for the industry’s benefit”. MLA and MDC are in the process of addressing this recommendation.

## RESOURCES

MDC projects include an access fee to cover costs associated with early stage feasibility studies, seed funding, industry dissemination, and operational costs.

MDC does not directly employ any personnel. Activities are managed and undertaken via MLA with these personnel and operational costs funded from the collection of the MDC access fee. MDC activities are overseen by the MDC Board and CEO Dr Christine Pitt (in her previous role as MLA General Manager, Value Chain Innovation and since May 2016 as MDC Chief Executive Officer). Directors and office bearers of MDC are listed on pages 24-25.

# FINANCIAL REPORT

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## DIRECTORS' REPORT

The Board of Directors of MLA Donor Company Limited (the Company) has pleasure in submitting its report in respect of the financial year ended 30 June 2016.

### DIRECTORS

The names and details of the company's directors in office during the financial year and until the date of this report are listed on pages 24-25. Directors were in office for this entire period unless otherwise stated.

### DIRECTORS MEETINGS

During 2015-16 the Company held eight meetings of directors. The attendances of the directors at the meetings of the Board were:

BOARD OF DIRECTORS	NO. OF MEETINGS
L Corrigan	8 [8]
G Maynard	7 [8]
R Norton	8 [8]
R Fitzpatrick	4 [4]
C Mirams	2 [3]

Where a director did not attend all meetings of the Board, the number of meetings for which the director was eligible to attend is shown in brackets.

### Principal activities

MLA Donor Company Limited was incorporated on 6 August 1998. The principal activity of the Company during the financial year is to act as an approved donor under s61 (1) of the *Australian Meat and Live-stock Industry Act 1997* for research & development matching funding purposes.

As an approved donor, the Company receives funding from individual enterprises for research & development projects for the benefit of the Australian meat & livestock industry. These funds are passed on to its parent entity (MLA) which manages a series of projects that the funds were intended for. MLA receives a matching contribution from the Australian government where the funds are applied to eligible R&D.

The Company continues to meet its objectives and strategies by acting as Donor to MLA for all R&D voluntary contributions.

### RESULT

The operating result of the Company for the financial year was \$1,659,985 (2014-15: \$nil).

### Review of operations

The Company received total revenue of \$16,782,052 (2014-15: \$15,006,199). Total expenditure was \$15,122,067 which resulted in a profit net surplus of \$1,659,985 (2014-15: breakeven position).

### Significant changes in state of affairs

There were no significant changes in the state of affairs of the Company.

### Significant events after the balance date

No significant events after balance date.

### Likely developments and expected results

No significant changes in the operations of the Company are expected in the future.

### Environmental regulation and performance

The Company does not have a material exposure to any environmental regulations.

### INDEMNIFICATION OF OFFICERS

Under its constitution, the Company may indemnify each director and each full time executive officer against any claim or any expenses or costs which may arise as a result of work performed in their respective capacities.

The parent company paid an insurance premium in respect of a contract insuring all the directors, secretaries and executive officers of the Company against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The terms of that policy prohibit disclosure of the premium paid or the monetary limit of this indemnity.

### DIRECTORS BENEFITS

During the year no Director has received or become entitled to receive any benefit, other than benefits disclosed in Note 7 to the financial statements, as emoluments or the fixed salary of a full time employee of the Company or a related body corporate, by reason of a contract made by the Company or a related body corporate with the Director, or with a firm of which he is a member, or with an entity in which he has a substantial interest.

### REGISTERED OFFICE

Level 1  
40 Mount Street  
North Sydney  
New South Wales 2060  
(02) 9463 9333

### AUDITOR INDEPENDENCE

The Auditor's Independence Declaration for the financial year ended 30 June 2016 has been received and can be found following this Director's Report.

This report has been made in accordance with a resolution of directors.



**Lucinda Corrigan**  
Director



**Richard Norton**  
Director

Sydney  
14 September 2016

# AUDITOR'S INDEPENDENCE DECLARATION

Auditor's Independence Declaration to the Directors of MLA Donor Company Limited



Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

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## Auditor's Independence Declaration to the Directors of MLA Donor Company Limited

As lead auditor for the audit of MLA Donor Company Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Rob Lewis  
Partner  
Sydney  
14 September 2016

# INCOME STATEMENT

Year ended 30 June 2016	Note	2016 \$	2015 \$
<b>CONTINUING OPERATIONS</b>			
<b>REVENUES FROM CONTINUING OPERATIONS</b>	3	<b>16,782,052</b>	15,006,199
<b>EXPENDITURE FROM CONTINUING OPERATIONS</b>			
Trade and market access		<b>1,078,102</b>	147,134
Increasing customer and consumer demand		<b>2,201,755</b>	2,411,963
Improve productivity and profitability across the supply chain		<b>7,300,422</b>	8,615,268
Industry sustainability and integrity		<b>1,745,524</b>	2,378,938
Industry leadership, innovation adoption and capability		<b>2,789,014</b>	1,446,753
Stakeholder engagement and communication		<b>7,250</b>	–
Others		–	6,143
Total expenditure		<b>15,122,067</b>	15,006,199
<b>NET SURPLUS FROM CONTINUING OPERATIONS</b>		<b>1,659,985</b>	
<b>TOTAL CHANGE IN MEMBERS' FUNDS</b>		<b>1,659,985</b>	

The accompanying notes form an integral part of this Statement of comprehensive income.

## STATEMENT OF FINANCIAL POSITION

At 30 June 2016	Notes	2016 \$	2015 \$
<b>CURRENT ASSETS</b>			
Cash	8	30,017	19,700
Amount owed by parent	4	5,563,961	3,972,477
<b>TOTAL CURRENT ASSETS</b>		<b>5,593,978</b>	3,992,177
<b>TOTAL ASSETS</b>		<b>5,593,978</b>	3,992,177
<b>CURRENT LIABILITIES</b>			
Unearned Income		3,933,993	3,992,177
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,933,993</b>	3,992,177
<b>NET ASSETS</b>		<b>1,659,985</b>	-
<b>EQUITY – MEMBERS’ FUNDS</b>			
Retained surplus		1,659,985	-
<b>TOTAL EQUITY – MEMBERS’ FUNDS</b>		<b>1,659,985</b>	-

The accompanying notes form an integral part of this Statement of financial position.

## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016	Retained surplus \$	Total \$
<b>AT 1 JULY 2014</b>	-	-
Surplus for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
<b>AT 30 JUNE 2015</b>	-	-
Surplus for the year	1,659,985	1,659,985
Other comprehensive income	-	-
Total comprehensive income	1,659,985	1,659,985
<b>AT 30 JUNE 2016</b>	<b>1,659,985</b>	<b>1,659,985</b>

The accompanying notes form an integral part of this Statement of changes in equity.

# STATEMENT OF CASH FLOWS

Year ended 30 June 2016	Notes	2016 \$	2015 \$
<b>CASH FLOWS FROM CONTINUING OPERATIONS</b>			
Receipts from R&D partners		20,149,445	16,730,501
Interest received		3,210	6,143
Payment to suppliers and Parent Company		(20,142,338)	(16,746,512)
<b>NET CASH FLOWS FROM CONTINUING OPERATIONS</b>	8 (b)	<b>10,317</b>	(9,868)
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>10,317</b>	(9,868)
Add opening cash brought forward		19,700	29,568
<b>CLOSING CASH CARRIED FORWARD</b>	8 (a)	<b>30,017</b>	19,700

The accompanying notes form an integral part of this Statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

30 June 2016

## 1. CORPORATE INFORMATION

The financial report of MLA Donor Company Limited (the Company) for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the directors on 08 September 2016.

The Company is limited by guarantee and incorporated in Australia.

The ultimate parent entity of the Company is Meat & Livestock Australia Limited ("MLA"), a company incorporated in Australia.

The nature of the operations and principal activities of the Company are described in the directors' report.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis.

The financial report is presented in Australian dollars.

### (b) Statement of compliance

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

### • AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

### • AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 July 2016 will not have a material impact on the Group.

### • AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select

# NOTES TO THE FINANCIAL STATEMENTS

## CONTINUED

an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

### • AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

### (c) Cash and cash equivalents

Cash on hand and in banks are stated at nominal value.

For the purposes of the Statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

### (d) Revenue Recognition

Revenue is recognised to the extent that it has been invoiced and is highly probable that the economic benefits will flow to the entity. Revenue is recognised for the major business activities as follows:

- R&D partnership income is recognised as revenue when the company obtains control of the contribution or the right to receive the contribution when it is probable that the economic benefits comprising the funding will flow to the entity and the funding can be measured reliably. These conditions are considered to be met based on conditions around expenditure incurred.
- Interest income is taken up as income when interest is earned.

### (e) Unearned Income

Unearned income consists of funds which have been received but income recognition has been deferred to future years because the project milestones have not been met or the expenditure to which they relate to has not been incurred.

### (f) Income Tax

MLA Donor Company Limited is exempt from income tax under section 50-40 of the Income Tax Assessment Act 1997.

### (g) Employee Entitlements

The Company does not have any employees.

	2016 \$	2015 \$
<b>3. REVENUES FROM CONTINUING OPERATIONS</b>		
Bank interest	3,210	6,143
R&D partnership income	16,778,842	15,000,056
Total revenue from continuing operations	16,782,052	15,006,199

### 4. AMOUNT OWED BY PARENT

Amount owed by parent (a)	5,563,961	3,972,477
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(a) Amount owed by parent is unsecured and with no fixed term of repayment

### 5. SEGMENT INFORMATION

The company operates for the meat and livestock industry in Australia only.

### 6. REMUNERATION OF AUDITORS

	2016 \$	2015 \$
Amounts received or due and receivable by Ernst & Young for:		
– An audit or review of the financial report	6,900	6,700
	6,900	6,700

### 7. DIRECTOR DISCLOSURES

#### (a) Directors

The following persons held the position of Director of MLA Donor Company Ltd during the financial year:

Lucinda Corrigan – Chair  
 Richard Norton  
 Geoffrey Maynard  
 Robert Fitzpatrick (appointed 16 December 2015)  
 Chris Mirams (appointed 23 March 2016)

Compensation to all directors were paid by Meat & Livestock Australia (MLA), and disclosed in the Group accounts.

#### (b) Key management personnel and related party transactions

Christine Pitt – Chief Executive Officer (appointed 01 May 2016)

#### Transactions with Parent Company

The Company in its capacity as an approved donor company paid \$16,778,842 (2015: \$15,000,056) R&D partnership income to MLA in its capacity as an approved research company.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2016 \$	2015 \$
<b>8. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of cash</b>		
Cash on hand	30,017	19,700
Closing cash balance	30,017	19,700
<b>(b) Reconciliation of net cash from operating activities to net surplus</b>		
<b>Net surplus</b>	<b>1,659,985</b>	–
(Increase) in receivables	(1,591,484)	(116,793)
(Decrease)/Increase in liabilities	(58,184)	106,925
<b>Net cash (outflow)/inflow from operating activities</b>	<b>10,317</b>	(9,868)

## 9. MEMBERS' FUNDS

The Company is a company limited by guarantee. If the Company is wound up, the Constitution states that the member (MLA) is required to contribute a maximum of \$5 towards meeting any outstanding obligations of the Company.

## 10. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board has the responsibility for the review and development of appropriate policies for managing risks around the Company's financial instruments, where applicable.

The Company is not subject to any liquidity risk and/or credit risk during the financial year and at reporting date, as it is the Company's policy to collect funds from external parties prior to incurring any expenditure. The Company acts as a vehicle for the collection of funds from participating contributors who do not have donor company status for eligible research and development projects. All funds collected by the Company have been transferred to Meat and Livestock Australia Limited (the Parent) which is responsible for the set up and management of these research and development projects.

The company has a contractual liability to refund any contributors' monies should any projects not be initiated or is underspent. These monies are recovered from the Company's parent and returned back to the contributors with no net cash effect.

The Company did not have any financial instruments reported at 30 June 2016 and throughout the financial year; consequently any risk assessment is not applicable.

## 11. CONTROLLING ENTITY

The ultimate parent entity of the Company is Meat & Livestock Australia Limited, a company incorporated in Australia.

# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of MLA Donor Company Limited, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of the performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations 2001*; and

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

On behalf of the Board



**Lucinda Corrigan**  
Director



**Richard Norton**  
Director

Sydney  
14 September 2016

# INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of MLA Donor Company Limited



Ernst & Young  
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Sydney NSW 2000 Australia  
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## Independent auditor's report to the members of MLA Donor Company Limited

### Report on the Financial Report

We have audited the accompanying financial report of MLA Donor Company Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.



### Opinion

In our opinion:

- a. the financial report of MLA Donor Company Limited is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Ernst & Young

Rob Lewis  
Partner  
Sydney  
14 September 2016



**DONOR  
COMPANY**

**More information:**

Dr Christine Pitt  
Chief Executive Officer  
[cpitt@mla.com.au](mailto:cpitt@mla.com.au)

**MLA Donor Company**  
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Published October 2016