FINANCIAL REPORT

FINANCIAL SUMMARY

MLA revenue and expenditure summary

	2013–14 $m	2014–15 $m	2015–16 $m	2016–17 $m	2017–18 $m	% change 2017–18 compared with 2016–17
Grassfed cattle levies	61.2	66.9	61.4	53.8	55.3	2.8
Grainfed cattle levies	9.8	10.5	11.9	10.9	11.3	3.7
Lamb/mutton levies	34.2	36.4	37.2	35.8	39.1	9.2
Goat levies	0.8	0.9	0.8	0.7	0.7	–
Producer levies	*106.0*	*114.7*	*111.4*	*101.2*	*106.4*	*5.1*
Government contributions	46.7	46.5	44.0	52.1	80.4	54.3
Other	35.8	44.5	42.4	47.2	85.7	81.6
Total revenue	**188.5**	**205.7**	**197.8**	**200.5**	**272.5**	**35.9**
Marketing, market access and insights	85.2	86.6	84.4	88.9	90.4	1.7
Research and development	95.8	92.9	88.0	104.2	171.8	64.9
Total expenditure*	**181.0**	**179.5**	**172.4**	**193.0**	**262.2**	**35.8**

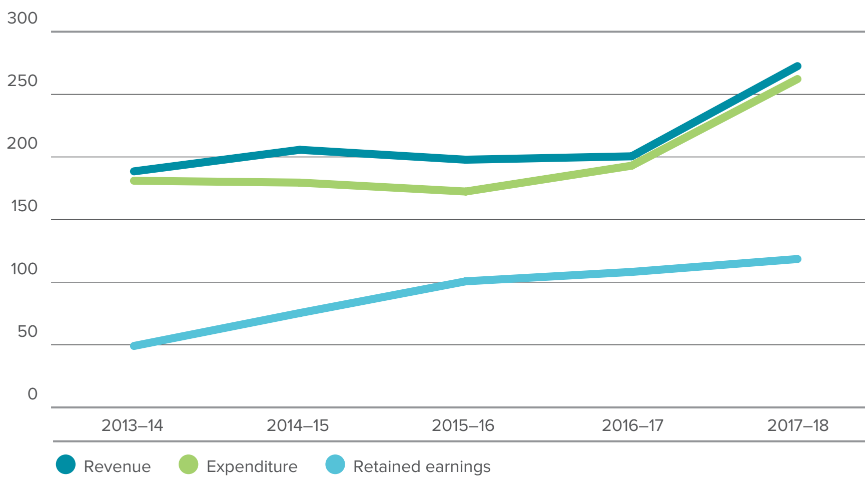
** Total includes $96.8 million invested via MLA Donor Company*

Revenue

MLA's total income for 2017–18 of $272.5 million was 35.9% higher than the prior year. The increase was primarily due to partner contributions and Government matching funding for investments made via MLA Donor Company.

Levy income increased $5.2 million (5.1%) to $106.4 million in 2017–18, with sheepmeat and cattle levies both higher than the prior year. Unfavourable weather conditions in key production regions resulted in elevated slaughter rates and forced record numbers of cattle into feedlots, resulting in an uplift in levy income. Strong international demand also contributed to higher slaughter levels.

Revenue, expenditure and retained earnings



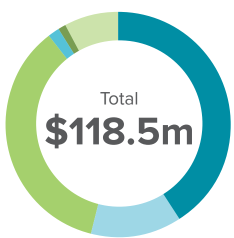
Expenditure

MLA's total investment increased 35.8% in 2017–18 to $262.2 million. This included $171.8 million in research and development and $90.4 million in marketing, market access and insights activities. The uplift in investment is primarily attributable to MLA Donor Company, which increased by $59.3 million (158.1%) to $96.8 million and resulted in the MLA Group using almost 99% of the Government matching funds available in 2017–18.

Retained earnings

MLA's surplus for the year was $10.3 million, taking the retained surplus at 30 June 2018 to $118.5 million. Retained earnings increased primarily because of lower than planned levy investment. An unexpected uplift in levy income also contributed to the result, with unfavourable weather conditions in key production regions leading to increased slaughter rates.

Retained earnings by funding source



- Grassfed cattle levies **$50.2m**
- Grainfed cattle levies **$16.0m**
- Lamb levies **$43.7m**
- Mutton levies **$2.2m**
- Goat levies **$1.3m**
- MLA Donor Company **$5.1m**

Cash flow

MLA's cash balance increased primarily due to higher government matching funds resulting from increased spending on research and development for the year. There was also an increase in the levy income, upfront partner contributions and access fees received for MLA Donor Company programs. The debtors balance reduced significantly due to higher collections.

Income and expenditure by funding source 2017–18

Pillars and priorities	Goat		Mutton		Lamb		Total sheep		Grassfed cattle	
	R&D $000	M $000	R&D $000	M $000	R&D $000	M $000	R&D $000	M $000	R&D $000	M $000
Pillar 1: Consumer and community support										
Continuous improvement of the welfare of animals in our care	4	13	167	45	1,054	189	1,221	234	1,002	718
Stewardship of environmental resources	5		31		267		298		522	144
Role of red meat in a healthy diet					70	69	70	69	100	45
Pillar 2: Market growth and diversification										
Efficiency and value in trade and market access		13	11	144	176	861	187	1,005	267	1,572
Marketing and promoting Australian red meat and livestock	2	174	40	357	135	14,381	174	14,741	313	29,369
Pillar 3: Supply chain efficiency and integrity										
Optimising product quality and cost efficiency	13		103	251	1,180	811	1,283	1,062	1,904	1,612
Guaranteeing product quality and systems integrity	9	33	50	168	184	454	233	622	454	1,336
Pillar 4: Productivity and profitability										
Production efficiencies in farms and feedlots	316		458		4,192		4,650		5,328	
Processing productivity			2		6		8		32	
Live export productivity		4	15	49	61	96	76	145	77	538
Pillar 5: Leadership and collaborative culture										
Building leadership capability	2	65	48	37	867	1,173	915	1,210	866	1,595
Protecting and promoting our industry	5	2	6	22	144	356	150	378	126	574
Pillar 6: Stakeholder engagement										
Engagement with producers and stakeholders	14	4	28	58	861	869	889	927	1,330	1,832
AUS-MEAT		2		10		167		177		329
Total expenditure pre corporate services	**368**	**310**	**955**	**1,141**	**9,196**	**19,426**	**10,151**	**20,570**	**12,318**	**39,664**
Corporate services	32	19	60	53	672	846	731	899	1,025	1,550
Levy collection costs	2	2	4	7	41	103	44	110	62	187
Total expenditure	**401**	**331**	**1,018**	**1,201**	**9,908**	**20,375**	**10,926**	**21,579**	**13,405**	**41,401**
Income available:										
Levies	434	273	1,176	1,329	10,628	25,966	11,805	27,295	11,116	44,161
Government										
Processors										
Live export										
R&D partnerships										
External										
Total actual income 2017–18	**434**	**273**	**1,176**	**1,329**	**10,628**	**25,966**	**11,805**	**27,295**	**11,116**	**44,161**
Surplus/(deficit)	**33**	**(58)**	**158**	**128**	**721**	**5,591**	**879**	**5,716**	**(2,289)**	**2,760**

Grainfed cattle		Total cattle		Total levy funds		Processor		LiveCorp		External		Govt.	MLA*
R&D $000	M $000	R&D $000	M $000	R&D $000	M $000	R&D $000	M $000	R&D $000	M $000	M $000	R&D $000	R&D $000	Total $000
1,009		2,011	718	3,235	965	52		310	323	1,903	5,021	8,618	20,426
369	120	891	264	1,193	264	984	120			6,964	2,236	4,413	16,173
	31	100	76	170	145	402	152					572	1,440
41	259	308	1,831	495	2,849	731	2,086	9	236	291	43	1,278	8,017
2	3,799	315	33,168	491	48,080	369	2,463			2,113	2,332	3,192	59,043
499	507	2,402	2,119	3,698	3,181	996				759	4,690	9,383	22,705
134	756	588	2,092	830	2,747	658	1,509	21	38	4,597	555	2,064	13,018
1,275		6,603		11,568		829				2,181	15,810	28,206	58,593
		32		40		3,068				14	3,626	6,733	13,479
		77	538	153	687			152	225			304	1,520
23	348	889	1,943	1,805	3,218	3,004				126	5,896	10,705	24,753
12	53	138	627	292	1,007	4				12	22	317	1,652
134	238	1,464	2,070	2,366	3,001	29				447	27	2,421	8,289
	42		371		550								550
3,497	**6,153**	**15,815**	**45,817**	**26,333**	**66,694**	**11,122**	**6,330**	**492**	**822**	**19,407**	**40,255**	**78,201**	**249,658**
326	193	1,351	1,743	2,113	2,661					5,047		2,113	11,934
20	23	82	210	128	322					9		128	587
3,843	**6,369**	**17,248**	**47,770**	**28,574**	**69,677**	**11,122**	**6,330**	**492**	**822**	**24,463**	**40,255**	**80,442**	**262,179**
3,710	7,618	14,826	51,779	27,065	79,347								106,412
												80,380	80,380
						11,122	6,330						17,452
								492	822				1,314
											42,970		42,970
										23,927			23,927
3,710	**7,618**	**14,826**	**51,779**	**27,065**	**79,347**	**11,122**	**6,330**	**492**	**822**	**23,927**	**42,970**	**80,380**	**272,454**
(133)	**1,249**	**(2,422)**	**4,009**	**(1,509)**	**9,670**					**(536)**	**2,715**	**(62)**	**10,275**

**MDC expenditure of $96.8 million is included ($51.8 million unmatched)*

DIRECTORS' REPORT

The Board of Directors of Meat & Livestock Australia Limited ('MLA' or 'the Company') has pleasure in submitting its report for the financial year ended 30 June 2018.

See pages 63–65 for names, qualifications and special responsibilities of the directors, directors retired during the year and the company secretary.

Directors

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: Dr Michele Allan, Mr Richard Norton, Mr Alan Beckett, Mr Steven Chaur, Mr Robert Fitzpatrick, Ms Erin Gorter, Mr Russell Lethbridge and Mr Andrew Michael. All directors were in office for the entire year unless otherwise stated.

Retiring directors

The following directors retired during 2017–18: Mr Geoffrey Maynard, Mr Chris Mirams, Mr George Scott and Mr Allister Watson.

Company secretary

The company secretary during the year was Ms Clare Stanwix.

Subsidiaries

MLA Donor Company Limited

At 30 June 2018, the members of the board were Mr Steven Chaur, Dr Michele Allan, Mr Richard Norton, Mr Alan Beckett, Ms Erin Gorter, Mr Robert Fitzpatrick, Mr Russell Lethbridge and Mr Andrew Michael.

Integrity Systems Company Limited

At 30 June 2018, the members of the board were Mr Robert Fitzpatrick, Dr Michele Allan, Mr Richard Norton, Mr Alan Beckett, Ms Erin Gorter, Mr Steven Chaur, Mr Russell Lethbridge and Mr Andrew Michael.

Directors' meetings

During the period 1 July 2017 to 30 June 2018 the MLA Board held seven meetings of directors. The attendances of the directors at meetings of the Board and of its committees were:

Board of directors			Committees of the Board of directors	
	Scheduled meetings	Total	Audit & Risk	Remuneration
M Allan	7 [7]	7 [7]		4 [4]
G Maynard	3 [4]	3 [4]		
G Scott	1 [5]	1 [5]		
R Norton	7 [7]	7 [7]	2 [3]	4 [4]
A Beckett	7 [7]	7 [7]	3 [3]	
C Mirams	4 [4]	4 [4]		
E Gorter	7 [7]	7 [7]		3 [4]
R Fitzpatrick	7 [7]	7 [7]		
S Chaur	6 [7]	6 [7]	3 [3]	4 [4]
A Watson	4 [5]	4 [5]	3 [3]	
R Lethbridge	3 [3]	3 [3]		
A Michael	3 [3]	3 [3]		

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

Selection Committee

During the year, the Selection Committee held four meetings. The current members of the Selection Committee and their attendance at meetings are listed below. The number of meetings for which the selection committee member was eligible to attend is shown in brackets.

MLA Directors	
Michele Allan (Chair)	4 [4]
Alan Beckett	1 [2]
George Scott	1 [2]
Peak council representatives	
Therese Herbert	2 [2]
Allan Piggott	2 [2]
Jeffrey Murray	2 [2]
Howard Smith	3 [4]
Tony Fitzgerald	2 [2]
MLA member-elected representatives	
Mick Hewitt	3 [4]
Ian McCamley	4 [4]
Jane Kellock	2 [2]
Peter Quinn	2 [2]
Tony Fitzgerald	2 [2]
Therese Herbert	2 [2]

Principal activities

The major activities of Meat & Livestock Australia Ltd and its subsidiaries (the Group) during the financial year comprised:

- providing research and development support to the Australian red meat and livestock industry
- providing marketing and promotion services to the Australian red meat and livestock industry both domestically and overseas.

There have been no significant changes in the nature of these activities during the year.

Review and results of operations

Operating result for the period

The result of the Group for the financial year was a net surplus from continuing operations of $10,275,000 (2017: net surplus of $7,505,000).

Group overview

The Group earned total revenue of $272,454,000 (2017: $200,521,000) which is comprised of the following:

- Transaction levies $106,412,000 (2017: $101,206,000)
- Research and development matching grants $80,380,000 (2017: $52,081,000)
- Research and development contributions (unmatched) $11,876,000 (2017: $5,535,000)
- Other income and revenues $73,786,000 (2017: $41,699,000).

MLA's surplus for the year was $10.3 million. MLA's revenue was $272.5 million, 35.9% higher year-on-year. Levy income increased $5.2 million (5.1%) to $106.4 million, with sheepmeat and cattle levies both higher than the previous year. MLA's total investment increased 35.8% to $262.2 million.

Significant changes in the state of affairs

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

Significant events after the balance date

No significant events after balance date.

Environmental regulation and performance

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

Indemnification and insurance of directors and officers

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

The Company paid an insurance premium in respect of a contract insuring all the directors, secretaries and executive officers of the group entities 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.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Rounding of accounts

The amounts contained in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) where noted ($000) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applied.

Registered office and principal place of business

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

Auditor independence

The auditor's independence declaration which forms part of the Directors' report for the financial year ended 30 June 2018 has been received and can be found following this report.

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

Alan Beckett
Director

Richard Norton
Managing Director

Brisbane
18 September 2018

AUDITOR'S INDEPENDENCE DECLARATION

to the Directors of Meat & Livestock Australia Limited

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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Meat & Livestock Australia Limited

As lead auditor for the audit of Meat & Livestock Australia Limited for the financial year ended 30 June 2018, 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.

This declaration is in respect of Meat & Livestock Australia Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Rob Lewis

Rob Lewis
Partner
Sydney
18 September 2018

INCOME STATEMENT

Year ended 30 June 2018	Note	Consolidated 2018 $000	Consolidated 2017 $000
CONTINUING OPERATIONS			
REVENUES FROM CONTINUING OPERATIONS	3	**272,454**	200,521
EXPENDITURE FROM CONTINUING OPERATIONS			
Consumer and community support		**38,104**	28,253
Market growth and diversification		**67,054**	62,862
Supply chain efficiency and integrity		**35,723**	29,095
Productivity and profitability		**73,614**	37,581
Leadership and collaborative culture		**26,323**	16,452
Stakeholder engagement		**8,290**	5,972
AUS-MEAT		**550**	550
Corporate cost		**12,521**	12,251
Total expenditure		**262,179**	193,016
NET SURPLUS FROM CONTINUING OPERATIONS		**10,275**	7,505
TOTAL CHANGE IN MEMBERS' FUNDS		**10,275**	7,505

The accompanying notes form an integral part of this 'Income statement'.

STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2018	Consolidated 2018 $000	Consolidated 2017 $000
NET SURPLUS FROM CONTINUING OPERATIONS	**10,275**	7,505
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the 'Income statement'		
Cash flow hedges:		
Gain/(loss) taken to equity	**408**	(420)
Transferred to 'Statement of comprehensive income'	**420**	210
Other comprehensive income/(expense) for the year	**828**	(210)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**11,103**	7,295

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

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018	Note	Consolidated 2018 $000	Consolidated 2017 $000
CURRENT ASSETS			
Cash and cash equivalents	24	**161,714**	149,839
Trade and other receivables	7	**41,943**	34,849
Prepayments and deposits	8	**1,884**	1,788
TOTAL CURRENT ASSETS		**205,541**	186,476
NON-CURRENT ASSETS			
Property, plant and equipment	12	**3,194**	3,573
Intangible assets	13	**2,224**	2,294
Other financial assets	14	**1,640**	2,405
TOTAL NON-CURRENT ASSETS		**7,058**	8,272
TOTAL ASSETS		**212,599**	194,748
CURRENT LIABILITIES			
Trade and other payables	15	**53,679**	35,976
Provisions	16	**2,054**	1,823
Other liabilities	17	**24,791**	35,770
TOTAL CURRENT LIABILITIES		**80,524**	73,569
NON-CURRENT LIABILITIES			
Other payables	18	**2,320**	2,702
Provisions	19	**1,809**	1,634
TOTAL NON-CURRENT LIABILITIES		**4,129**	4,336
TOTAL LIABILITIES		**84,653**	77,905
NET ASSETS		**127,946**	116,843
EQUITY – MEMBERS' FUNDS			
Contributed equity	27	**9,031**	9,031
Retained surplus		**118,507**	108,232
Cash flow hedge reserve	20	**408**	(420)
TOTAL EQUITY – MEMBERS' FUNDS		**127,946**	116,843

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

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2018	Contributed equity $000	Consolidated Retained earnings $000	Cash flow hedge reserve $000	Total $000
At 1 July 2016	9,031	100,727	(210)	109,548
Surplus for the year	–	7,505		7,505
Other comprehensive loss	–	–	(210)	(210)
Total comprehensive (loss)/income	–	7,505	(210)	7,295
At 30 June 2017	9,031	108,232	(420)	116,843
Surplus for the year	**–**	**10,275**		**10,275**
Other comprehensive loss	**–**	**–**	**828**	**828**
Total comprehensive (loss)/income	**–**	**10,275**	**828**	**11,103**
At 30 June 2018	**9,031**	**118,507**	**408**	**127,946**

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

STATEMENT OF CASH FLOWS

Year ended 30 June 2018	Note	Consolidated 2018 $000	2017 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies collected		**115,607**	113,112
Research and development matching grants		**78,070**	54,510
Receipts from processors and live exporters		**16,010**	19,791
Other receipts		**73,865**	33,644
Payments to suppliers and employees		**(273,920)**	(195,329)
NET CASH FLOWS FROM OPERATING ACTIVITIES	24(b)	**9,632**	25,728
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**77**	312
Purchase of property, plant and equipment		**(652)**	(632)
Purchase of software	13	**(831)**	(1,399)
Interest received		**3,649**	2,565
NET CASH FLOWS FROM INVESTING ACTIVITIES		**2,243**	846
NET INCREASE IN CASH HELD		**11,875**	26,574
Add opening cash brought forward		**149,839**	123,265
CLOSING CASH CARRIED FORWARD	24(a)	**161,714**	149,839

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

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial report of Meat & Livestock Australia Limited ('MLA' or 'the Company') for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 17 September 2018.

MLA has prepared a consolidated financial report incorporating the Company and the entities that it controlled during the financial year.

MLA is a company limited by guarantee incorporated in Australia.

The nature of the operations and principal activities of the Group 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,* Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis except for derivative financial instruments which have been measured at fair value.

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 Group 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 2018. 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 MLA from the year ending 30 June 2019 and replaces AASB 139 Financial Instruments: Recognition and Measurement. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as fair value through profit and loss if that eliminates or significantly reduces an accounting mismatch. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

  The impact of this standard is expected to not materially impact the Group.

- **AASB Interpretation 22**
  The Interpretation is applicable to MLA from the year ending 30 June 2019 and clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

  The impact of this standard is expected to not materially impact the Group.

- **AASB 16 Leases**
  This standard is applicable to MLA from the year ending 30 June 2020 and requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  The impact of this standard is yet to be assessed by the Group.

- **AASB 1058 and AASB 2016-8 Income of Not-for-Profit Entities**
  This standard will apply to MLA from the year ending 30 June 2020 and will defer income recognition in some circumstances for not-for-profit entities, particularly where there is a performance obligation or any other liability. In addition, certain components in an arrangement, such as donations, may be separated from other types of income and recognised immediately. The Standard also expands the circumstances in which not-for-profit entities are required to recognise income for goods and services received for consideration that is significantly less than the fair value of the asset principally to enable the entity to further its objectives (discounted goods and services), including for example, peppercorn leases.

  The impact of this standard is yet to be assessed by the Group.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of MLA and its subsidiaries (as outlined in Note 10) as at 30 June each year (the Group). Controls are achieved where the Company has power over the investee, exposure, or rights to variable returns from its involvement with the investee and the ability to use its power to affect its returns. The results of subsidiaries acquired or disposed during the year are included in the 'Consolidated income statement' and 'Statement of comprehensive income' from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The financial statements of the subsidiaries are prepared for the same reporting period as the Group, using consistent accounting policies. All intercompany balances and transactions have been eliminated in full.

(d) Cash and cash equivalents

Cash on hand and in banks and short-term deposits 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.

(e) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written-off as incurred.

(f) Taxes

Income tax

The Group is exempt from income tax under section 50–40 of the *Income Tax Assessment Act 1997.*

Goods and Services Tax (GST)

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

- GST incurred on a purchase of goods

and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable

- receivables and payables (except accrued income and expenditure) are stated with the amount of GST included.

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

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

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

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue, trade debtors and accrued revenue are recognised for the major business activities as follows:

- Transaction levies – revenue is recognised in the period to which it relates based on confirmations received from the Levies and Revenue Service who collect and distribute levies to the Company.
- Research and development Commonwealth matching payments – revenue is recognised for the matching funding from the Australian Government to the extent that the entity obtains control of the funding, 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 when approved eligible research and development expenditure has been incurred. Accrued matching payments represent unclaimed funding for the amount incurred on research and development.
- Research and development contributions (unmatched) – the Company receives funding from various external parties (including the Department of Agriculture and Water Resources and the Australian Government) to conduct collaborative research and development programs. Revenue is recognised when the Company obtains control of the contribution or the right to receive the contribution based on conditions around expenditure incurred.
- Research and development, processor and live exporter contributions are 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 on an accrual basis.
- Government grants are recognised when the Group obtains control of the grant or the right to receive the grant, which is considered to occur when all attaching conditions have been met. The grant received or receivable will be recognised as income when it is probable that the economic benefits of the grant will flow to the entity and the amount of the grant can be measured reliably.

(h) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and options contracts to hedge against the risks associated with foreign currency fluctuations. These contracts are initially recognised at fair value on the date they are entered into and are subsequently remeasured to fair value. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to net surplus or deficit for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and that could affect the surplus or deficit. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity while the ineffective portion is recognised in the 'Statement of comprehensive income'.

Amounts taken to equity are transferred to the 'Statement of comprehensive income' when the hedged transaction affects the surplus or deficit, such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to the 'Statement of comprehensive income'. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to the 'Statement of comprehensive income'.

Financial assets and financial liabilities are offset and the net amount is reported in the 'Consolidated statement of financial position' if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(i) Foreign currency translation

Both the functional and presentation currency of the Company and its subsidiaries is Australian dollars ($). Each entity in the Company determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the budget exchange rate and subsequently revaluing it to the average exchange rate of the month. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the 'Income statement'.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

(j) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(k) Intangible assets

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the 'Income statement' in the expense category consistent with the function of the intangible asset.

Intangibles are amortised as follows:

Computer software	1–5 years

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter, if there is no certainty the Group will obtain ownership by the end of the lease.

(m) Property, plant and equipment

Cost

All classes of property, plant and equipment are measured at cost.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment.

	Life
Leasehold improvements	Remaining term of lease
Plant and equipment	2–5 years
Furniture and fittings	3–5 years

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

Derecognition and disposal

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

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

(n) Trade and other payables

Liabilities for trade and other payables are carried at amortised cost, which is the fair value of consideration to be paid in the future for goods and services received prior to the end of the financial year and which are unpaid. These amounts are unsecured and will be paid when due.

(o) Unearned income

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

(p) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, long service leave and other employee benefits.

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(q) Fit-out contribution and rent-free period

The Company negotiated the lease of new premises in North Sydney in April 2013 which included incentives that involved a combination of a fit-out contribution and rent-free period. The benefit of these incentives are being amortised on a straight-line basis over the 10 years and five months lease term.

(r) Investment in associate

The Group's investment in its associate is accounted for using the equity method of accounting in the consolidated financial statements. The associate is an entity over which the Group has significant influence and is neither subsidiary nor joint venture.

Under the equity method, investments in the associate are carried in the 'Consolidated statement of financial position' at cost plus post-acquisition changes in the Group's share of net assets of the associate. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in the associate.

Pursuant to the constitution of the associate (AUS-MEAT), the Group has no entitlement to a share of the associate's net results. The Group is also not entitled to the net assets of the associate except in the event of a winding up of the associate.

The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Interests in associated entities are included in non-current assets at the recoverable amount. Detailed equity accounting information concerning the Group's material interests in its associate is provided in Note 9.

(s) Leasehold make good provision

The Company has entered into a number of office premises lease agreements which include make good clauses. A make good clause requires the Company to restore the premises to its original condition at the conclusion of the lease. The provision has been calculated as the present value of the expected cost, which has been based on management's best estimate.

(t) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within 12 months after the reporting period.

		Consolidated	
	Notes	2018 $000	2017 $000
3. REVENUE FROM CONTINUING OPERATIONS			
Revenues from operating activities			
Transaction levies	4	**106,412**	101,206
R&D Commonwealth matching payments		**80,380**	52,081
R&D contributions (unmatched)		**11,876**	5,535
Other income	5	**69,634**	38,633
Total revenues from operating activities		**268,302**	197,455
Revenues from non-operating activities			
Bank interest		**4,152**	3,066
Total revenues from non-operating activities		**4,152**	3,066
Total revenues from continuing operations		**272,454**	200,521
4. TRANSACTION LEVIES			
Transaction levies:			
– grainfed cattle		**11,328**	10,878
– grassfed cattle		**55,277**	53,847
– lambs		**36,594**	33,580
– sheep		**2,505**	2,176
– goats		**708**	725
Total transaction levies		**106,412**	101,206
5. OTHER INCOME			
Processor contributions		**13,761**	13,056
Live exporter contributions		**1,314**	1,609
Co-operative funding		**734**	1,096
R&D partnership income		**41,179**	18,247
Sale of products or services		**5,421**	3,241
Other		**7,225**	1,384
Total other income		**69,634**	38,633

	Consolidated	
	2018 $000	**2017 $000**
6. EXPENSES AND LOSSES		
Depreciation and amortisation of non-current assets included in the 'Income statement':		
Leasehold improvements	**488**	554
Plant and equipment	**472**	527
Furniture and fittings	**27**	28
Amortisation of intangible assets	**857**	728
Total depreciation and amortisation of non-current assets	**1,844**	1,837
Gain on sale of assets	**(39)**	(30)
Operating lease rentals included in the 'Income statement'	**3,869**	3,709
Employee benefit expense:		
Wages and salaries	**28,987**	27,067
Workers compensation costs	**99**	128
Annual leave provision	**2,239**	1,776
Long service leave provision	**782**	597
Superannuation expense	**2,428**	2,233
Other post-employment benefits	**16**	63
Total employee benefit expense	**34,551**	31,864
7. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables	**574**	6,379
Allowance for impairment of receivables (a)	**–**	–
Trade receivables, net	**574**	6,379
Accrued revenue:		
– levies	**7,878**	6,563
– R&D Commonwealth matching payments	**29,357**	19,050
– other	**2,789**	2,694
Total accrued revenue	**40,024**	28,307
Other receivables	**1,345**	163
Total current receivables, net	**41,943**	34,849

There have been no movements in the provision for impairment loss.

The ageing analysis of trade receivables (net of impairment) is as follows:

Consolidated

			Past due but not impaired				
	Total $000	**Current $000**	**1–30 days**	**31–60 days**	**61–90 days**	**91–120 days**	**>120 days**
Trade receivables (net of impairment)							
30 June 2018	**574**	**508**	**13**	**1**	**1**	**51**	**–**
30 June 2017	6,379	6,119	256	4	–	–	–

7. TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

(a) Allowance for impairment of receivables

A provision for impairment loss is recognised when there is objective evidence that a trade receivable is individually impaired (refer Note 2(e)). Financial difficulties of the debtor or defaulting in payments are considered objective evidence of impairment.

Receivables past due but not impaired are: $66,000 (2017: $260,000). Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these balances will be received when due.

(b) Interest rate risk

Trade debtors, R&D matching grants, levies and other accrued revenue are non-interest bearing and generally on 14 to 30 day terms.

(c) Security

The Group does not hold any collateral or security on trade receivables.

(d) Credit risk

The carrying value at the reporting date approximate the fair value for each class of receivable. Details regarding credit risk exposure are disclosed in Note 28 (iii).

	Consolidated	
	2018 $000	2017 $000
8. PREPAYMENTS AND DEPOSITS		
Prepayments	**1,298**	1,283
Deposits	**586**	505
Total prepayments and deposits	**1,884**	1,788
9. INVESTMENT IN ASSOCIATE		
Unlisted:		
AUS-MEAT Limited	**–**	–

AUS-MEAT Limited became an associated entity in 1998–99 and is jointly owned (50% each) by MLA and Australian Meat Processor Corporation Limited.

AUS-MEAT Limited is an independent company limited by guarantee with operations split into two principal areas, the Standards division and the Services division. It is incorporated in Australia.

MLA has a continuing commitment to support AUS-MEAT Limited. The contribution for the financial year ended 30 June 2018 was $550,000 (2017: $550,000).

	AUS-MEAT Limited	
Summary results of the associate entity	2018 $000	2017 $000
Revenue	**16,861**	15,983
Accumulated surplus at beginning of the year	**4,632**	4,338
Net surplus for the year	**699**	294
Accumulated surplus at end of the year	**5,331**	4,632
Financial summary of associated entity		
Total current assets	**10,746**	9,850
Total non-current assets	**3,361**	3,302
Total current liabilities	**3,734**	3,466
Total non-current liabilities	**192**	204
Net assets	**10,181**	9,482

The investment in AUS-MEAT Limited has been taken up at nil value (2017: $nil). There is no entitlement to a share of the net results or net assets except in the event of a winding up of the entity.

10. INVESTMENTS IN SUBSIDIARIES

The consolidated financial statements include the financial statements of MLA and the subsidiaries listed in the following table.

Name	Equity interest %		Investment $000	
	2018	2017	2018	2017
a) MLA Donor Company Limited	**100**	100	**–**	–
b) Integrity Systems Company Limited	**100**	100	**–**	–
			–	–

a) MLA Donor Company Limited was incorporated in Australia on 6 August 1998 and is limited by guarantee. If the company is wound up, its Constitution states that MLA is required to contribute a maximum of $5 towards meeting any outstanding obligations of the company.

b) Integrity Systems Company Limited (formerly known as National Livestock Identification System) was incorporated in Australia on 24 December 2008 and is limited by guarantee. If the company is wound up, its Constitution states that MLA is required to contribute a maximum of $5 towards meeting any outstanding obligations of the company.

11. PARENT ENTITY INFORMATION

Information relating to Meat & Livestock Australia Ltd	2018 $000	2017 $000
Current assets	**195,108**	173,464
Total assets	**202,100**	181,700
Current liabilities	**74,207**	62,256
Total liabilities	**78,094**	66,454
Contributed equity	**9,031**	9,031
Reserves	**408**	(420)
Total equity – Members' funds	**114,567**	106,635
Surplus for the year	**8,098**	7,505
Other comprehensive gain/(loss) for the year	**408**	(210)

As at balance date, the parent entity has not entered into any material contractual commitments for the acquisition of property, plant or equipment other than as noted in the financial statements.

	Consolidated	
	2018 $000	2017 $000

12. PROPERTY, PLANT AND EQUIPMENT

	2018 $000	2017 $000
Plant and equipment		
At cost	**6,285**	6,195
Accumulated depreciation	**(5,570)**	(5,369)
Total plant and equipment	**715**	826
Furniture and fittings		
At cost	**323**	361
Accumulated depreciation	**(233)**	(287)
Total furniture and fittings	**90**	74
Leasehold improvements		
At cost	**5,716**	5,761
Accumulated depreciation	**(3,327)**	(3,088)
Total leasehold improvements	**2,389**	2,673
Total property, plant and equipment		
Cost	**12,324**	12,317
Accumulated depreciation	**(9,130)**	(8,744)
Total written down value	**3,194**	3,573

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:

	2018 $000	2017 $000
Plant and equipment		
Carrying amount at beginning	**826**	893
Additions	**405**	499
Disposals	**(26)**	(39)
Depreciation expense	**(490)**	(527)
	715	826
Furniture and fittings		
Carrying amount at beginning	**74**	91
Additions	**46**	11
Disposals	**(3)**	–
Depreciation expense	**(27)**	(28)
	90	74
Leasehold improvements		
Carrying amount at beginning	**2,673**	3,313
Additions	**201**	123
Disposals	**(9)**	(209)
Depreciation expense	**(476)**	(554)
	2,389	2,673

	Consolidated 2018 $000	2017 $000
13. INTANGIBLE ASSETS		
Software		
At cost	**9,547**	8,717
Accumulated amortisation	**(7,323)**	(6,423)
Total software	**2,224**	2,294
Reconciliation		
Carrying amount at beginning	**2,294**	1,623
Additions	**831**	1,399
Amortisation expense	**(901)**	(728)
	2,224	2,294
14. OTHER FINANCIAL ASSETS		
Other financial assets consist of restricted cash which relates to cash held as rental bonds in bank account which is pledged as collateral to landlords for risks retained by the group.		
Total other financial assets	**1,640**	2,405
	1,640	2,405
15. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables (a)	**28,135**	14,167
Accrued R&D and other creditors (a)	**22,802**	18,479
Rent-free period (refer note 2q)	**535**	507
Derivative financial instruments (b)	**(408)**	420
Employee entitlements:		
– annual leave	**2,215**	2,075
– other	**400**	328
Total current trade and other payables	**53,679**	35,976

(a) Trade payables, accrued R&D and other creditors are non-interest bearing and are normally settled on 30-day terms. In the case of accrued R&D, any payments are further subject to milestones being satisfactorily completed.

(b) Pursuant to Note 2(h), the Group remeasured to fair value its outstanding forward currency and option contracts as at year end.

	2018 $000	2017 $000
16. PROVISIONS (CURRENT)		
Long service leave	**1,948**	1,808
Leasehold make good	**106**	15
Total current other liabilities	**2,054**	1,823

	Long service leave $000	Leasehold make good $000	Total $000
Carrying amount at the beginning of the financial year	**1,808**	**15**	**1,823**
Additional provisions	**232**	**–**	**232**
Utilised	**(318)**	**–**	**(318)**
Amounts transferred from/(to) non-current during the year	**226**	**91**	**317**
Carrying amount at the end of the financial year	**1,948**	**106**	**2,054**

	Consolidated	
	2018 $000	**2017 $000**
17. OTHER LIABILITIES (CURRENT)		
Unearned income	**24,168**	34,437
Other	**623**	1,333
Total current other liabilities	**24,791**	35,770
18. OTHER PAYABLES (NON-CURRENT)		
Fit-out contribution and Rent-free period (refer note 2q)	**2,320**	2,702
Total non-current other payables	**2,320**	2,702
19. PROVISIONS (NON-CURRENT)		
Long service leave	**1,289**	1,013
Leasehold make good	**520**	621
Total non-current provisions	**1,809**	1,634

	Consolidated		
Movements in provisions:	**Long service leave $000**	**Leasehold make good $000**	**Total $000**
Carrying amount at the beginning of the financial year	**1,013**	**621**	**1,634**
Additional provisions	**502**		**502**
Utilised	**–**	**(10)**	**(10)**
Amounts transferred (from)/to current during the year	**(226)**	**(91)**	**(317)**
Carrying amount at the end of the financial year	**1,289**	**520**	**1,809**

	Consolidated	
20. CASH FLOW HEDGE RESERVE	**2018 $000**	**2017 $000**
At the beginning of the financial year	**(420)**	(210)
Net surplus/(loss) on cash flow hedges	**408**	(420)
Transfer of cash flow hedge reserve to 'Statement of comprehensive income'	**420**	210
Total cash flow hedge reserve (a)	**408**	(420)

(a) The full amount of hedged cash flows as at 30 June 2018 are expected to affect the 'Statement of comprehensive income' within one year.

As at 30 June 2018, the Company did not have any portion of cash flow hedges deemed ineffective.

	Consolidated	
21. EMPLOYEE ENTITLEMENTS	**2018 $000**	**2017 $000**
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer note 16)	**1,948**	1,808
Provisions – non-current (refer note 19)	**1,289**	1,013
Payables – current (refer note 15)	**2,615**	2,403
	5,852	5,224

	Consolidated	
	2018 $	2017 $

22. REMUNERATION OF AUDITORS

Amounts received or due and receivable by Ernst & Young for:

• auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	**189,520**	178,396
• other services in relation to the entity and any other entity in the consolidated entity:		
– tax compliance	**9,900**	9,375
– other non-audit services	**53,859**	84,500
	253,279	272,271

23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

Michele Allan	Chair
Richard Norton	Managing Director
Alan Beckett	
Steven Chaur	
Robert Fitzpatrick	
Erin Gorter	
Andrew Michael	(appointed 22 Nov 2017)
Russell Lethbridge	(appointed 22 Nov 2017)
Geoffrey Maynard	(resigned 22 Nov 2017)
Chris Mirams	(resigned 22 Nov 2017)
George Scott	(resigned 13 Mar 2018)
Allister Watson	(resigned 5 Mar 2018)

(ii) Executives

Christine Pitt	Chief Executive Officer – MDC (resigned 16 Feb 2018)
Michael Finucan	General Manager – International Markets
Michael Crowley	General Manager – Producer Consultation and Adoption
Clare Stanwix	General Counsel and Company Secretary
Jane Weatherley	Chief Executive Officer – ISC
Lisa Sharp	Chief Marketing and Communications Officer
Andrew Ferguson	Chief Financial Officer
Sean Starling	General Manager – MDC, Research, Development and Innovation

	Notes	Consolidated 2018 $	2017 $
23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)			
(iii) Compensation of key management personnel by categories			
Directors (a)			
Short-term benefits		**1,466,252**	1,275,001
Post-employment benefits		**81,084**	72,392
Other long-term benefits		**24,466**	14,813
	(a)	**1,571,802**	1,362,206
Executives (b)			
Short-term benefits		**3,010,078**	3,274,830
Post-employment benefits		**153,671**	184,886
Other long-term benefits		**95,873**	74,526
	(b)	**3,259,622**	3,534,242

(a) Compensation includes all benefits paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. Compensation includes wages, salaries, superannuation and other employees' provisions.

(b) Executive compensation refers to all compensation earned by the General Managers of the Company with the exception of the Managing Director whose compensation has been included under Directors' compensation.

(b) Related party transactions

Directors of the Group and directors of its related parties, or their director-related entities, conduct transactions with entities within the Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those which it is reasonable to expect the entity would have adopted if dealing with the director or director-related entity at arm's length in similar circumstances. These transactions include the following and have been quantified below where the transactions are considered likely to be of interest to users of these financial statements:

- During his time on the Board, Mr Geoffrey Maynard was a member of Agforce Queensland which invoiced the Company $220,365 (2017: $27,497) for Pimelea toxicity – managing cattle poisoning and Adoption of best practice vertebrate pest control in Northern Queensland. The Company has invoiced AgForce Queensland $262,680 (2017: $nil) for the same projects.
- Ms Erin Gorter is a partner of the Gorter Family Trust trading as Erin Gorter Enterprises which invoiced the Company $21,522 (2017: $124,484) for professional fees and reimbursement of associated expenses as WA Livestock Research Council (WALRC) Coordinator. Ms Gorter is a member of Evergreen Farming which invoiced the Company $27,500 (2017: $49,500) for Pasture Updates Western Australia 2016–2018 and for Red Leaf Clover Syndrome Project Coordinator. Ms Gorter is a director of AgVivo Pty Ltd which invoiced the Company $59,773 (2017: $nil) for WA Producer & Research Thought Leadership NZ Tour on behalf of the attendees to meet all outgoings associated with the tour. The Company invoiced AgVivo $34,985 (2017: $nil) for the contribution towards the tour. Ms Gorter is a member of Southern DIRT producer group which invoiced the Company $109,819 (2017: $35,580) and the Company invoiced Southern DIRT $20,989 (2017: $nil) for R&D projects including Synergy and profit using farm by-products and Real time Biomass Imaging for Improved feed budgeting.
- Dr Michele Allan is Chancellor of Charles Sturt University which invoiced the Company $6,296,393 (2017: $644,169) for various R&D projects including Herbicide Resistance program, Review of food safety and market access risks in red meat supply chains, Development of mixed farming systems RD&A program and RnD4profit Dung beetle ecosystem engineers. The Company has invoiced Charles Sturt University $777,841 (2017: $103,044) for RnD4profit Dung beetle ecosystem engineers, Monitoring health and welfare using emerging diagnostic technologies in the beef feedlot and Reducing induction stress in the Australian feedlot system project. Dr Allan is Director of CSIRO which invoiced the Company $8,315,468 (2017: $4,975,463) for various R&D projects including RnD4profit program relating to Improved surveillance, preparedness and return to trade for emergency animal disease incursions, Heat load nutrition program, RnD4profit Efficient Pastures and LPP Improving profit from pasture through increased feed efficiency. The Company invoiced CSIRO $842,053 (2017: $nil) mainly for LPP Improving profit from pasture through increased feed efficiency project. Dr Allan is director of Food Innovation Australia which invoiced the Company $44,000 (2017: $227,979) for Review of meat bone by-product processing platform and high value opportunities and trends. The Company has invoiced Food Innovation Australia $nil (2017: $102,729). Dr Allan is director of Nuffield Australia which invoiced the Company $57,200 (2017: $57,200) for Nuffield Scholarships. Dr Allan is Chair of Grains and Legumes Nutrition Council (GLNC). The Company invoiced GLNC $14,441 (2017: $nil) for lease of North Sydney office.
- During his time on the Board, Mr Allister Watson was a consultant of Harvey Beef which invoiced the Company $623,659 (2017: $266,195) for various R&D projects including Retail ready export market development capability building activity, Young Food Innovator program, HarveyBbeef boning automation, Investigation into resource recovery approach, including biogas production at Harvey Beef abattoir as well as Impact of handling conditions and new environments on the stress of cattle. The Company invoiced Harvey Beef $157,675 (2017: $67,763) for the same projects.

23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

- During his time on the Board, Mr George Scott was a member of Northern Territory Cattlemen's Association which invoiced the Company $80,314 (2017: $18,527) for 2018 NTCA Industry conference and funding an Innovation Officer to support capacity building in northern cattle producers. The company invoiced Northern Territory Cattlemen's Association $48,495 (2017: $nil). Mr Scott is a member of Agforce QLD which invoiced the Company $220,365 (2017: $27,497) and the Company invoiced AgForce Queensland $262,680 (2017: $nil) for R&D projects including Adoption of best practice vertebrate pest control in Northern Queensland and Pimelea toxicity – managing cattle poisoning. Mr Scott received director's fees including superannuation totalling $17,600 (2017: $17,520) from Aus-Meat Limited.
- During his time on the Board, Mr Chris Mirams was a director of Holbrook Landcare Network which invoiced the Company $41,250 (2017: $nil) for program dealing with demonstration of diet to influence lamb sex-ratio. CJ & JE Mirams managed a MDC project which invoiced the Company $42,328 (2017: $nil) for Beef Systems Innovation Tour to Tasmania. The Company invoiced CJ & JE Mirams $24,045 (2017: $nil) for the same project.
- Mr Russell Lethbridge is a member of Agforce QLD which invoiced the Company $220,365 (2017: $27,497) and the Company invoiced AgForce Queensland $262,680 (2017: $nil) for various projects including Adoption of best practice vertebrate pest control in Northern Queensland and Pimelea toxicity – managing cattle poisoning.

24. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated	
	2018 $000	2017 $000
(a) Reconciliation of cash		
Cash on hand	**54,714**	58,839
Short-term money market deposits	**107,000**	91,000
Closing cash balance	**161,714**	149,839
(b) Reconciliation of net cash from operating activities to net surplus		
Net surplus	**10,275**	7,505
Adjustments for:		
Net gain on disposal of property, plant and equipment	**(39)**	(30)
Depreciation expense	**993**	1,110
Amortisation expense	**901**	693
Interest received	**(3,649)**	(2,565)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
(Increase)/decrease in trade and other receivables	**(7,094)**	5,388
(Increase) in prepayments and deposits	**(96)**	(104)
Decrease in other financial assets	**765**	707
Increase/(decrease) in liabilities:		
Increase/(decrease) in trade and other payables	**17,321**	(162)
(Decrease)/increase in other liabilities	**(10,979)**	13,049
Increase in provisions	**1,234**	137
Net cash from operating activities	**9,632**	25,728

	Consolidated 2018 $000	2017 $000
25. EXPENDITURE COMMITMENTS		
Expenditure (primarily research and development) contracted for is payable as follows:		
– Not later than one year	**172,292**	80,214
– Later than one year but not later than five years	**151,589**	66,212
– Later than five years	**–**	–
Aggregate R&D expenditure contracted for at balance date	**323,881**	146,426
Operating lease expenditure contracted for is payable as follows:		
– Not later than one year	**4,669**	4,440
– Later than one year but not later than five years	**9,347**	8,862
– Later than five years	**863**	2,734
Aggregate lease expenditure contracted for at balance date (a)	**14,879**	16,036

(a) The operating lease commitments include leases for properties, motor vehicles and maintenance with terms ranging from one to five years.

26. MEMBERS' FUNDS

The Company is incorporated in Australia and is a company limited by guarantee. If the Company is wound up, its Constitution states that each member is required to contribute a maximum of $5 each towards meeting any outstanding obligations of the Company. At 30 June 2018, the number of members was 50,128 (2017: 49,726).

27. CONTRIBUTED EQUITY

	Consolidated 2018 $000	2017 $000
Capital contribution	**9,031**	9,031

This amount represents contributions from the Commonwealth Government as initial working capital and property, plant and equipment at written down value transferred from the Australian Meat and Live-stock Corporation and the Meat Research Corporation at nil consideration.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MLA's principal financial instruments include derivatives, cash and cash equivalents. The Group has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

MLA enters into derivative transactions, including forward currency contracts and currency option contracts. The currency option contracts are limited to vanilla options and collar options. The purpose is to manage the currency risks arising from the Group's overseas operations. The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Oversight responsibility for identification and control of financial risks rests with the Audit and Risk Committee under the authority of the Board.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial instrument, are disclosed in note 2 to the financial statements.

Risk exposures and responses

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposit holding with a floating interest rate. Cash at bank earns interest at floating rates based on daily bank deposit rates. On-call deposits are made for varying periods of between one day and 12 months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Cash deposits and short-term cash assets are held at floating exchange rates of interest that range between 0% and 2.91% at 30 June 2018. Some of these assets are held in foreign currency accounts.

Sensitivity analysis:

At 30 June 2018, if interest rates moved, as illustrated in the following table, with all other variables held constant, the effect on the Group's net surplus would have been as follows:

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Judgements of reasonable possible movements:

	Consolidated surplus	
	2018 $000	**2017 $000**
+ 1.00% (2017: +1.00%)	**1,578**	1,477
– 0.50% (2017: -0.50%)	**(789)**	(738)

There is no direct impact on other comprehensive income.

(ii) Foreign currency risk

The Group has a policy of hedging the offshore component of its annual expenditure. In doing so, it works within Board-approved risk management bands which establish the upper and lower limits of hedge cover for each period out on a rolling 12-month basis. The objective is to ensure that the annual budget allocation for offshore expenditure for the next financial year is fully hedged by 30 June.

The Group is primarily exposed to the risk of adverse movements in the Australian dollar relative to certain foreign currencies and uses derivative financial instruments to manage these specifically identified foreign currency exposures.

Forward exchange contracts and options are purchased to hedge a majority of the Australian dollar value of United States dollar, Japanese yen, Chinese rmb and Korean won payments arising from the activities of overseas branches.

These contracts hedge highly probable forecasted future cash outflows and they are timed to mature when the payments are scheduled to be made.

Foreign exchange contracts commit the Group to purchase specific amounts of foreign currency at an agreed rate of exchange maturing at specific times up to 12 months from balance date.

Option contracts give the Group the right to purchase specific amounts of foreign currency at an agreed rate of exchange maturing at specific times up to 12 months from balance date.

At 30 June 2018, the Group held forward exchange contracts designated as hedges of forecasted future cash outflows to its overseas offices. The cash flows are expected to occur within 12 months from 30 June 2018.

Sensitivity analysis:

There is minimal sensitivity to foreign currency risk exposures on the Group's net surplus/deficit for the year and on equity as overseas spending is subject to a fixed budget which is determined in Australian dollars. As there is no material impact on the net surplus/deficit or equity in local currency, a sensitivity analysis has not been prepared.

(iii) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from the potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group's objectives in relation to credit risk are to ensure minimum impairment of its financial assets and minimise the possibility of loss.

The Group's financial assets are largely due from government-related bodies, recognised creditworthy third parties and highly credit-rated financial institutions that have minimal risk of default. No collateral is held as security.

All receivable balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant.

There are no significant concentrations of credit risk and financial instruments are spread amongst a number of financial institutions to minimise the risk of default of counterparties.

The Group's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of these assets.

(iv) Liquidity risk

Liquidity risk arises from the financial liabilities of the Group and the Group's subsequent ability to meet its obligations to repay its financial liabilities as and when they fall due.

Pursuant to its reserving policy, the Group maintains minimum levels of reserves by specie. The Group's objective is to invest the surplus funds represented by these reserves in financial instruments with maturities that match its forecast payment obligations. The surplus funds are invested primarily in term deposits with differing maturity terms that can be easily liquidated in the event of an unforeseen interruption of cash flow.

The Group manages its liquidity risk by monitoring the cash inflows and outflows expected on a weekly basis.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Non-derivative financial liabilities

The table below summarises the maturity profile of the Group's financial liabilities as at the reporting date based on contractual undiscounted repayment obligations. The Group ensures that sufficient liquid assets are available to meet all the short-term cash payments.

	Consolidated	
	Less than 6 months $000	6 to 12 months $000
Financial liabilities		
Trade and other payables	**50,937**	–

(v) Fair value

The carrying values of all financial assets and liabilities approximate their fair value at the balance date. The net fair value of a financial asset is the amount at which the asset could be exchanged in a current transaction between knowledgeable and willing parties after allowing for transaction costs.

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Consolidated Year ended 30 June 2018	
	Market observable inputs (level 2) $000	Total $000
Financial assets		
Derivative instruments	(124)	(124)
Forward currency contracts	(124)	(124)

Financial instruments that use valuation techniques with only observable market inputs include forward currency contracts. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

MLA presents derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparties if they were subject to default. As at 30 June 2018, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by $124,180 (30 June 2017: $446,956) and derivative liabilities are reduced by $124,180 (30 June 2017: $446,956).

29. LEGAL CLAIM CONTINGENCY

On 27 June 2016, MLA lodged an appeal in the Federal Court of Australia against Cargill Inc. and Branhaven, LLC. in relation to the prior dismissal of MLA's opposition to the grant of Australian patent 2010102253 'Cattle Selection Methods Patent'. The initial hearing of the appeal concluded on 7 June 2017 and judgement was delivered on 9 February 2018. MLA was partly successful in relation to the appeal which gave rise to a further hearing for the parties to argue what amendments to the patent should be made. This hearing occurred 1–3 August 2018 and judgment in the matter has been reserved.

By affidavit dated 31 July 2018, MLA (and Dairy Australia) was advised that Cargill assigned its interest in the patent to a newly formed company called SelecTraits.

A final order as to costs has not been made in this matter. It is possible that MLA will be required, in accordance with the court's scale, to meet a portion of the legal costs of Branhaven and SelectTraits, but there is no decision as to what, if any, that portion might be. Accordingly, no provision for such a liability has been made in these financial statements.

30. FINANCING ARRANGEMENTS

MLA has access to two funding facilities which are available under special circumstances in response to industry crises from the Red Meat Advisory Council Limited (RMAC).

- A $500,000 (2017: $500,000) emergency fund can be accessed by MLA for scoping purposes following consultation with the affected species sector/sectors.
- In addition, a $5 million (2017: $5 million) contingency fund for the management of industry crisis may be accessible. Use of this facility requires a two-thirds majority decision of RMAC directors with terms and conditions as agreed by RMAC and the Commonwealth Government.
- No amount has been withdrawn from these funding facilities.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Meat & Livestock Australia Limited, we state that:

In the opinion of the directors:

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

 (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of their performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including 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.

Alan Beckett
Director

Richard Norton
Managing Director

Brisbane
18 September 2018

INDEPENDENT AUDITOR'S REPORT

to the members of Meat & Livestock Australia Limited

Building a better working world

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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of Meat & Livestock Australia Limited

Opinion

We have audited the financial report of Meat & Livestock Australia Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2018, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Ernst & Young

Ernst & Young

Rob Lewis

Rob Lewis
Partner

Sydney
18 September 2018