Financial report

Financial summary

REVENUE AND EXPENDITURE SUMMARY

	2015–16 $m	2016–17 $m	2017–18 $m	2018–19 $m	2019–20 $m	% change 2019–20 compared with 2018–19
Grassfed cattle levies	61.4	53.8	55.3	58.9	63.0	7.0
Grainfed cattle levies	11.9	10.9	11.3	11.4	13.9	21.9
Lamb/mutton levies	37.2	35.8	39.1	37.3	37.0	-0.8
Goat levies	0.8	0.7	0.7	0.5	0.5	
Producer levies	*111.4*	*101.2*	*106.4*	*108.1*	*114.4*	*5.8*
Government contributions	44.0	52.1	80.4	80.9	78.5	-3.0
Other	42.4	47.2	85.7	80.8	76.7	-5.0
Total revenue	**197.8**	**200.5**	**272.5**	**269.9**	**269.7**	**0.1**
Marketing, market access and insights	84.4	88.9	90.4	104.1	101.8	-2.2
Research and development	88.0	104.2	171.8	170.3	171.9	0.9
Total expenditure*	**172.4**	**193.0**	**262.2**	**274.4**	**273.7**	**-0.1**

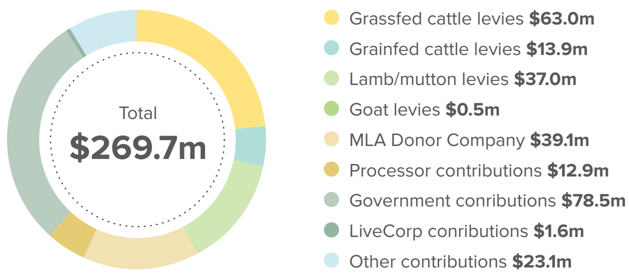
** Total includes $82.5 million invested via MLA Donor Company*

Revenue

MLA's total income of $269.7 million for 2019–20 was 0.1% lower than 2018–19. Levy income increased by $6.4 million (or 5.9%) to $114.5 million in 2019–20 as a result of higher cattle transactions. Cattle levies were particularly strong in the first half of the year, as unfavourable weather conditions in key production regions resulted in drought-induced cattle turn-off and also a record number of cattle that were finished in feedlots. Sheep and goat levies were roughly in line with 2018–19.

The result was offset by Livestock Production Assurance (LPA) income, which decreased by 57.6% to $2.5 million. At MLA's Annual General Meeting in 2019, Managing Director Jason Strong announced that LPA fees would be waved from November 2019 until June 2021 as part of the Accelerated Adoption Initiative.

REVENUE SUMMARY

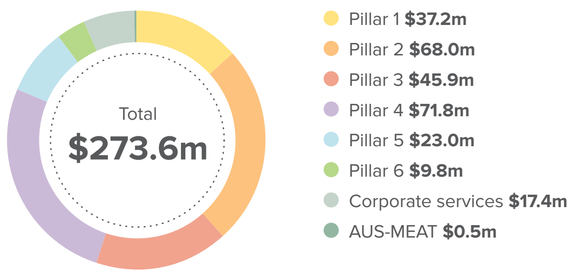


Expenditure

MLA's total investment decreased by 0.3% in 2019–20 to $273.7 million. Included in the result was a $4.9 million uplift in Australian Meat Processor Corporation managed research and development investment. However, the underlying decrease in investment is primarily attributable to quarter four milestones that were either cancelled or delayed as a result of COVID-19.

MLA's investment during the period comprised of $171.9 million in research and development and $101.8 million in marketing, market access and insights activities.

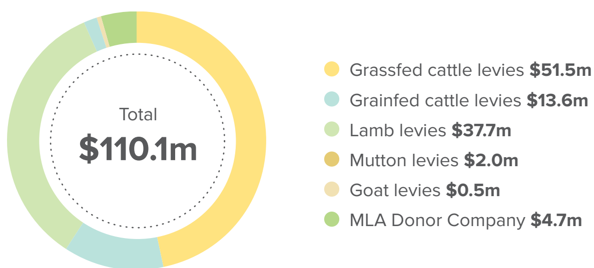
EXPENDITURE SUMMARY



Retained earnings

MLA returned a deficit of $4.0 million, taking the retained surplus at 30 June 2020 to $110.1 million. The reduction in retained earning reflects the application of MLA's Levy Reserve Policy, which required an increase in levy investment. The utilisation of Integrity Systems Company's retained earnings to fund the Accelerated Adoption Iniative (announced at MLA's annual general meeting) and lower access fees received via MLA Donor Company, also contributed to the result.

RETAINED EARNINGS BY FUNDING SOURCE 2019–20



Cash flow

MLA's cash balance decreased as a result of lower external income contributions to MLA Donor Company (MDC). MDC's expenditure decreased due to an increase in investment allocated from levy reserves, which in turn attracted lower income contributions.

Income and expenditure by funding source 2019–20

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	3	19	145	58	787	238	933	295	535	1,235
Stewardship of environmental resources	2		23	56	180	338	203	394	430	833
Role of red meat in a healthy diet		1		21	228	885	228	906	186	1,057
Pillar 2: Market growth and diversification										
Efficiency and value in trade and market access		35	23	140	176	809	199	949	185	1,360
Marketing and promoting Australian red meat and livestock	14	155	80	360	228	16,626	308	16,986	189	26,998
Pillar 3: Supply chain efficiency and integrity										
Optimising product quality and cost efficiency	21		183	144	1,487	697	1,669	841	1,821	1,460
Guaranteeing product quality and systems integrity	15	101	75	465	234	1,263	310	1,728	597	3,665
Pillar 4: Productivity and profitability										
Production efficiencies in farms and feedlots	475	6	438	65	5,231	1,060	5,669	1,125	4,988	1,462
Processing productivity					2		2		2	
Live export productivity			29	19	98	56	127	75	96	486
Pillar 5: Leadership and collaborative culture										
Building leadership capability	6	3	48	44	552	650	600	694	695	1,049
Protecting and promoting our industry	4	2	7	23	144	439	151	462	116	661
Pillar 6: Stakeholder engagement										
Engagement with producers and stakeholders	15	7	36	155	881	1,937	918	2,092	791	2,846
AUS-MEAT		2		10		176		186		307
Total expenditure pre corporate services	**554**	**331**	**1,087**	**1,559**	**10,229**	**25,174**	**11,316**	**26,733**	**10,631**	**43,420**
Corporate services	56	36	105	156	1,030	2,624	1,135	2,780	926	4,581
Levy collection costs	2	1	4	5	32	79	36	84	29	137
Total expenditure	**612**	**368**	**1,196**	**1,720**	**11,290**	**27,877**	**12,486**	**29,597**	**11,586**	**48,138**
Income available:										
Levies	338	212	1,166	1,318	10,030	24,530	11,196	25,848	12,671	50,335
Government										
Processors										
Live export										
R&D partnerships										
External										
Total actual income 2019–20	**338**	**212**	**1,166**	**1,318**	**10,030**	**24,530**	**11,196**	**25,848**	**12,671**	**50,335**
Surplus/(deficit)	**-274**	**-156**	**-30**	**-403**	**-1,260**	**-3,347**	**-1,290**	**-3,749**	**1,084**	**2,196**

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	R&D $000	M $000	R&D $000	Total $000
1,271	272	1,807	1,507	2,742	1,822			332	552	5,284	1,272	8,358	20,362
557	374	987	1,208	1,192	1,602	352		1		2,332	3,858	3,876	13,213
104	457	290	1,515	518	2,422	50	41					567	3,598
41	218	225	1,578	424	2,561	1,066	2,084	20	168	372	102	1,883	8,681
9	4,560	199	31,558	521	48,699	445	948			2,403	2,915	3,369	59,298
645	537	2,466	1,997	4,156	2,838	1,306				5,970	4,184	11,431	29,884
193	1,881	790	5,547	1,115	7,375	755	768	60	86	415	3,083	2,345	16,003
1,436	162	6,423	1,624	12,567	2,755	8		2		15,065	3,603	27,642	61,642
9		12		14		3,001				963	606	3,978	8,563
		96	486	223	561			223	193			445	1,645
25	317	720	1,366	1,327	2,064	3,774				4,500		9,601	21,265
13	68	130	730	285	1,194						17	285	1,781
121	357	912	3,203	1,844	5,302	166					464	2,011	9,787
	55		362		550								550
4,426	**9,259**	**15,057**	**52,679**	**26,928**	**79,744**	**10,922**	**3,841**	**638**	**1,000**	**37,305**	**20,103**	**75,792**	**256,272**
463	816	1,389	5,397	2,580	8,213						3,485	2,580	16,857
15	24	44	161	81	246						118	81	525
4,903	**10,099**	**16,490**	**58,237**	**29,588**	**88,203**	**10,922**	**3,841**	**638**	**1,000**	**37,305**	**23,706**	**78,452**	**273,654**
4,556	9,355	17,227	59,689	28,760	85,749								114,510
												78,452	78,452
						10,922	3,841						14,763
								638	1,000				1,638
										37,139			37,139
											23,186		23,186
4,556	**9,355**	**17,227**	**59,689**	**28,760**	**85,749**	**10,922**	**3,841**	**638**	**1,000**	**37,139**	**23,186**	**78,452**	**269,687**
-347	**-744**	**737**	**1,452**	**-827**	**-2,453**					**-165**	**-520**		**-3,967**

**MDC expenditure of $82.5 million is included ($48.5 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 2020.

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: Mr Alan Beckett, Mr Jason Strong, Mr Robert Fitzpatrick, Ms Erin Gorter, Mr Russell Lethbridge, Mr Andrew Michael, Ms Manny Noakes, Ms Jo Pye and Mr John Lloyd.

All directors were in office for the entire year unless otherwise stated.

Retiring directors

The following directors retired during 2019–20: Dr Michele Allan.

Company secretary

The company secretary during the year was Ms Joanne Taylor-Craig.

Subsidiaries

MLA Donor Company Limited

At 30 June 2020, the members of the board were Mr Jason Strong, Mr Alan Beckett and Mr Andrew Ferguson.

Integrity Systems Company Limited

At 30 June 2020, the members of the board were Mr Jason Strong, Mr Alan Beckett, Mr Russell Lethbridge and Mr Andrew Michael.

Directors' meetings

During the period 1 July 2019 to 30 June 2020 the MLA Group Board and its Committees held six 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	Audit & Risk	Remuneration
A Beckett	6 [6]	2 [2]	1 [1]
E Gorter	6 [6]	4 [4]	3 [3]
R Fitzpatrick	6 [6]	2 [2]	–
R Lethbridge	6 [6]	4 [4]	–
A Michael	6 [6]	4 [4]	–
M Noakes	6 [6]	–	3 [3]
J Pye	6 [6]	–	3 [3]
J Lloyd	3 [3]	2 [2]	–
J Strong	6 [6]	4 [4]	3 [3]
M Allan	3 [3]	–	2 [2]

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 three 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	
Alan Beckett (Chair)	2 [2]
Erin Gorter	1 [1]
Robert Fitzpatrick	1 [1]
Michele Allan	2 [2]
Peak council representatives	
Tony Hegarty	3 [3]
Bryce Camm	3 [3]
Jamie Heinrich	3 [3]
MLA member-elected representatives	
Mick Hewitt	3 [3]
Jane Kellock	3 [3]
Peter Quinn	3 [3]
Tony Fitzgerald	2 [3]

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 deficit from continuing operations of $3,965,000 (2019: net deficit of $4,486,000). The deficit predominantly reflects the application of the MLA's Levy Reserve Policy, which required an increase in levy investment. The Accelerated Adoption Initiative, which drew down on the reserves of MLA's subsidiary company, ISC, also contributed to the result.

Group overview

The Group earned total revenue of $269,688,000 (2019: $269,897,000) which is comprised of the following:

- transaction levies $114,510,000 (2019: $108,125,000)
- research and development matching grants $78,452,000 (2019: $80,936,000)
- research and development contributions (unmatched) $11,083,000 (2019: $8,915,000)
- other income and revenues $65,643,000 (2019: $71,921,000)

Total income received/receivable was less than total expenditure, which resulted in a net deficit from continuing operations of $3,965,000 for the year.

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 Corporation (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 2020 has been received and can be found following this report.

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

Alan Beckett
Chair

Jason Strong
Managing Director

16 September 2020

Auditor's independence declaration

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 2020, 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
15 September 2020

Income statement

Year ended 30 June 2020	Note	Consolidated 2020 $000	Consolidated 2019 $000
CONTINUING OPERATIONS			
REVENUES FROM CONTINUING OPERATIONS	3	**269,688**	269,897
EXPENDITURE FROM CONTINUING OPERATIONS			
Consumer and community support		**37,173**	40,043
Market growth and diversification		**67,979**	71,805
Supply chain efficiency and integrity		**45,887**	41,467
Productivity and profitability		**71,850**	65,534
Leadership and collaborative culture		**23,046**	29,104
Stakeholder engagement		**9,787**	12,357
AUS-MEAT		**550**	550
Corporate cost		**17,381**	13,523
Total expenditure		**273,653**	274,383
NET (DEFICIT) FROM CONTINUING OPERATIONS		**(3,965)**	(4,486)
TOTAL CHANGE IN MEMBERS' FUNDS		**(3,965)**	(4,486)

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

Statement of comprehensive income

Year ended 30 June 2020	Consolidated 2020 $000	Consolidated 2019 $000
NET DEFICIT FROM CONTINUING OPERATIONS	**(3,965)**	(4,486)
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the 'Income statement'		
Cash flow hedges:		
Gain/(loss) taken to equity	**(30)**	157
Transferred to 'Statement of comprehensive income'	**(157)**	(408)
Other comprehensive income/(expense) for the year	**(187)**	(251)
TOTAL COMPREHENSIVE (DEFICIT) FOR THE YEAR	**(4,152)**	(4,737)

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

Statement of financial position

As at 30 June 2020	Notes	Consolidated 2020 $000	Consolidated 2019 $000
CURRENT ASSETS			
Cash and short-term deposits	25(a)	**145,246**	158,236
Trade and other receivables	7	**48,026**	41,314
Prepayments and deposits	8	**1,997**	1,916
TOTAL CURRENT ASSETS		**195,269**	201,466
NON-CURRENT ASSETS			
Property, plant and equipment	12	**2,794**	3,170
Intangible assets	13	**4,818**	2,965
Right of use assets	14	**14,772**	–
Other financial assets	15	**1,080**	1,079
TOTAL NON-CURRENT ASSETS		**23,464**	7,214
TOTAL ASSETS		**218,733**	208,680
CURRENT LIABILITIES			
Trade and other payables	16	**62,610**	61,617
Provisions	17	**2,083**	2,068
Lease liabilities	14	**225**	–
Other liabilities	18	**16,159**	18,315
TOTAL CURRENT LIABILITIES		**81,077**	82,000
NON-CURRENT LIABILITIES			
Other payables	19	**–**	1,882
Provisions	20	**1,206**	1,589
Lease liabilities	14	**17,393**	–
TOTAL NON-CURRENT LIABILITIES		**18,599**	3,471
TOTAL LIABILITIES		**99,676**	85,471
NET ASSETS		**119,057**	123,209
EQUITY – MEMBERS' FUNDS			
Contributed equity	28	**9,031**	9,031
Retained surplus		**110,056**	114,021
Cash flow hedge reserve	21	**(30)**	157
TOTAL EQUITY – MEMBERS' FUNDS		**119,057**	123,209

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

Statement of changes in equity

Year ended 30 June 2020	Consolidated Contributed equity $000	Retained earnings $000	Cash flow hedge reserve $000	Total $000
At 1 July 2018	9,031	118,507	408	127,946
Deficit for the year	–	(4,486)		(4,486)
Other comprehensive (loss)	–	–	(251)	(251)
Total comprehensive (loss)	–	(4,486)	(251)	(4,737)
At 30 June 2019	9,031	114,021	157	123,209
Deficit for the year	**–**	**(3,965)**	**–**	**(3,965)**
Other comprehensive (loss)	**–**	**–**	**(187)**	**(187)**
Total comprehensive (loss)	**–**	**(3,965)**	**(187)**	**(4,152)**
At 30 June 2020	**9,031**	**110,056**	**(30)**	**119,057**

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

Statement of cash flows

Year ended 30 June 2020	Notes	Consolidated 2020 $000	2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies collected		**133,803**	113,051
Research and development matching grants		**77,023**	79,125
Receipts from processors and live exporters		**16,273**	13,690
Other receipts		**46,310**	73,829
Payments to suppliers and employees		**(281,160)**	(284,569)
NET CASH FLOWS FROM OPERATING ACTIVITIES	25(b)	**(7,751)**	(4,874)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**–**	140
Purchase of property, plant and equipment		**(838)**	(1,214)
Purchase of software	13	**(3,193)**	(1,785)
Interest received		**3,679**	4,255
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(352)**	1,396
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments of lease liability		**(4,887)**	–
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(4,887)**	–
NET (DECREASE) IN CASH HELD		**(12,990)**	(3,478)
Add opening cash brought forward		**158,236**	161,714
CLOSING CASH CARRIED FORWARD	25(a)	**145,246**	158,236

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 and its subsidiaries ('the Group') for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 16 September 2020.

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 and all values are rounded to the nearest thousands ($000).

(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. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

- **AASB 16 Leases**

  The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (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 improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the 'Statement of cash flows', the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

- **AASB 15 Revenue from Contracts with Customers (effective I January 2019) and AASB 1058 Income of Not-for-Profit Entities (effective I January 2019) (AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities)**

  AASB 15 Revenue from Contracts with Customers. The Group adopted AASB 15 from 1 July 2019. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. When AASB 15 does not apply to a transaction or part of a transaction, the Group then considers whether AASB 1058 applies.

  AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15 Revenue from Contracts with Customers. These Standards supersede all the income recognition requirements relating to private sector NFP entities, previously in AASB 1004 Contributions. Under AASB 1058, the timing of income recognition depends on whether a NFP transaction related to an asset (such as cash or another asset) received by an entity, gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners.

  This standard applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The entity will recognise and measure the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB I 16 Property, Plant and Equipment).

  Upon initial recognition of the asset, AASB 1058 requires the entity to consider whether any other financial statement elements (called 'related amounts') should be recognised, such as:

  - contributions by owners
  - revenue, or a contract liability arising from a contract with a customer
  - a lease liability
  - a financial instrument
  - a provision.

  These related amounts will be accounted for in accordance with the applicable Australian Accounting Standard.

Due to the nature of the Group's major activities, nearly all of the Group's income from third parties relates to projects with identified contract and customers and fall under AASB15 and its Appendix AASB 2016-8. The Group has various type of income stream, please refer to Note 2(g) for revenue recognition.

Prior to the adoption of the new standards, the Group accrues for unspent third party contributions on a monthly basis. The same revenue deferral methodology using the retention period of funding is applied to defer revenue.

Impact of adoption

AASB 15, AASB1058 and AASB 16 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no material impact from the adoption of AASB 15 Revenue from contracts with customers and AASB 1058 Income of Not-for-Profit Entities.

The Group has lease contracts for various items of vehicles and properties. Before the adoption AASB16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. Refer to Note 2(l) Leases for the accounting policy prior to 1 July 2019. The impact of AASB 16 implementation on the statement of financial position at the end of the annual reporting period 30 June 2020 is right-of-use asset balance of $14 million and closing lease liability balance of $17 million.

The effect of adoption AASB 16 as at 1 July 2019 (increase/(decrease)) is, as follows:

	$'000
Assets	
Right of use assets	15,845
Total assets	15,845
Liabilities	
Lease liabilities	15,845
Total liabilities	15,845
Total adjustment on equity:	
Retained earnings	–
Non-controlling interests	–
	–

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	$'000
Assets	
Operating lease commitments as at 30 June 2019	14,694
Weighted average incremental borrowing rate as at 1 July 2020	5.37%
Discounted operating lease commitments as at 1 July 2020	13,147
Less:	
Commitments relating to short term leases	(1,118)
Commitments relating to lease of low value assets	(17)
Add:	
Lease payments relating to optional renewal periods not included in operating leases commitments as at 30 June 2019	3,833
Lease liabilities as at 1 July 2019	15,845

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of MLA and its subsidiaries (the Group) as at 30 June 2020 (as outlined in Note 10). Controls are achieved where the Group 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 short-term deposits

Cash on hand and at banks and short-term deposits are stated at nominal value.

For the purposes of the consolidated 'Statement of cash flows', cash and cash equivalents includes cash on hand and at 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

The Group recognises revenue under AASB 1058 or AASB 15 when appropriate. In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. In other cases, AASB 1058 applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives and the excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately.

The Group recognises revenues from 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 Group.
- 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 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.
- 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, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is ‘an economic relationship’ between the hedged item and the hedging instrument.
- The effect of credit risk does not ‘dominate the value changes’ that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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 ($). For each entity, the Group 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 rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

(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 accumulated 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 economic 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

Prior to the adoption of AASB16, leases were 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.

Right-of-use assets and lease liabilities

Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application

Depreciation

Depreciation is provided on a straight-line basis on all right of use assets.

	Term of lease
Leasehold properties	1–10 years
Motor vehicles	3–5 years

Leasehold improvements

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, net of accumulated depreciation and accumulated impairment losses if any.

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 the income statement 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) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

(q) 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.

(r) 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.

(s) 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. These incentives are treated as per AASB 16 lease standard.

(t) 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 that are neither subsidiaries nor joint ventures.

Under the equity method, investment in the associate is carried in the 'Consolidated statement of financial position' at cost plus post-acquisition changes in the Group's share of net assets of the associates. 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 associates.

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.

(u) 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.

(v) 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.

A liability is current when:

- it is expected to be settled in the normal operating cycle
- it is held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period

or

- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other liabilities as non-current.

		Consolidated	
	Notes	2020 $000	2019 $000
3. REVENUE FROM CONTINUING OPERATIONS			
Revenues from operating activities			
Transaction levies	4	**114,510**	108,125
R&D Commonwealth-matching payments		**78,452**	80,936
R&D contributions (unmatched)		**11,083**	8,915
Other income	5	**62,947**	68,152
Total revenues from operating activities		**266,992**	266,128
Revenues from non-operating activities			
Bank interest		**2,695**	3,769
Total revenues from non-operating activities		**2,695**	3,769
Total revenues from continuing operations		**269,687**	269,897
4. TRANSACTION LEVIES			
Transaction levies:			
– Grainfed cattle		**13,911**	11,424
– Grassfed cattle		**63,005**	58,876
– Lambs		**34,560**	34,708
– Sheep		**2,484**	2,579
– Goats		**550**	538
Total transaction levies		**114,510**	108,125

	Consolidated	
	2020 $000	**2019 $000**
5. OTHER INCOME		
Processor contributions	**12,921**	10,871
Live exporter contributions	**1,638**	1,714
Co-operative funding	**3,835**	2,994
R&D partnership income	**35,710**	39,986
Sale of products or services	**4,014**	7,874
Other	**4,829**	4,713
Total other income	**62,947**	68,152
6. EXPENSES AND LOSSES		
Depreciation and amortisation of non-current assets included in the 'Income statement':		
Leasehold improvements	**630**	540
Plant and equipment	**561**	503
Furniture and fittings	**20**	19
Amortisation of intangible assets	**1,340**	1,044
Right-of-use assets	**2,375**	–
Total depreciation and amortisation of non-current assets	**4,926**	2,106
Loss on sale of assets	**2**	36
Operating lease rentals included in the 'Income statement' (Note 14)	**1,793**	3,921
Employee benefit expense:		
Wages and salaries	**31,603**	29,538
Workers compensation costs	**97**	99
Annual leave provision	**2,292**	2,062
Long service leave provision	**(68)**	464
Superannuation expense	**2,698**	2,468
Other post-employment benefits	**41**	7
Total employee benefit expense	**36,663**	34,638
7. TRADE AND OTHER RECEIVABLES (CURRENT)		
Trade receivables, net	**3,912**	2,017
Accrued revenue:		
– Levies	**8,651**	5,644
– R&D Commonwealth-matching payments	**28,612**	29,909
– Other	**5,262**	2,672
Total accrued revenue	**42,525**	38,225
Other receivables	**1,589**	1,071
Total current receivables, net	**48,026**	41,314

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

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

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

Trade receivables (net of impairment)			Past due but not impaired				
	Total $000	Current $000	1–30 days	31–60 days	61–90 days	91–120 days	>120 days
30 June 2020	**3,912**	**3,510**	**155**	**213**	**–**	**33**	**–**
30 June 2019	2,017	1,933	37	13	8	26	–

(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: $401,000 (2019: $84,000). 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 29 (iii).

	Consolidated	
	2020 $000	2019 $000
8. PREPAYMENTS AND DEPOSITS		
Prepayments	**1,445**	1,177
Deposits	**552**	600
Inventory	**–**	139
Total prepayments and deposits	**1,997**	1,916
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 2020 was $550,000 (2019: $550,000).

9. INVESTMENT IN ASSOCIATE (continued)

Summary results of the associate entity	AUS-MEAT Limited 2020 $000	AUS-MEAT Limited 2019 $000
Revenue	**19,470**	18,390
Accumulated surplus at beginning of the year	**5,560**	5,331
Net (deficit)/surplus for the year	**(1,187)**	229
Accumulated surplus at end of the year	**4,373**	5,560
Financial summary of associated entity		
Total current assets	**9,674**	11,014
Total non-current assets	**4,724**	3,736
Total current liabilities	**5,176**	4,032
Total non-current liabilities	**–**	308
Net assets	**9,222**	10,410

The investment in AUS-MEAT Limited has been taken up at nil value (2019:$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	
	2020	2019	2020	2019
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	2020 $000	2019 $000
Current assets	**195,014**	192,107
Total assets	**215,702**	198,158
Current liabilities	**74,994**	76,152
Total liabilities	**93,427**	79,439
Contributed equity	**9,031**	9,031
Reserves	**(30)**	157
Total equity – Members' funds	**113,274**	109,530
Deficits for the year	**(3,279)**	(4,764)
Other comprehensive (loss)/gain for the year	**(30)**	157

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	
	2020 $000	2019 $000

12. PROPERTY, PLANT AND EQUIPMENT

	2020 $000	2019 $000
Plant and equipment		
At cost	**5,397**	6,512
Accumulated depreciation	**(4,527)**	(5,548)
Total plant and equipment	**870**	964
Furniture and fittings		
At cost	**141**	259
Accumulated depreciation	**(97)**	(198)
Total furniture and fittings	**44**	61
Leasehold improvements		
At cost	**6,338**	5,978
Accumulated depreciation	**(4,458)**	(3,833)
Total leasehold improvements	**1,880**	2,145
Total property, plant and equipment		
At cost	**11,876**	12,749
Accumulated depreciation	**(9,082)**	(9,579)
Total written down value	**2,794**	3,170

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

	2020 $000	2019 $000
Plant and equipment		
Carrying amount at beginning	**964**	715
Additions	**470**	767
Disposals	**(3)**	(15)
Depreciation expense	**(561)**	(503)
	870	964
Furniture and fittings		
Carrying amount at beginning	**61**	90
Additions	**3**	14
Disposals	**–**	(24)
Depreciation expense	**(20)**	(19)
	44	61
Leasehold improvements		
Carrying amount at beginning	**2,145**	2,389
Additions	**365**	433
Disposals	**–**	(137)
Depreciation expense	**(630)**	(540)
	1,880	2,145

	Consolidated 2020 $000	Consolidated 2019 $000

13. INTANGIBLE ASSETS

	2020 $000	2019 $000
Software		
At cost	**14,525**	11,331
Accumulated amortisation	**(9,706)**	(8,366)
Total software	**4,818**	2,965
Reconciliation		
Carrying amount at beginning	**2,965**	2,224
Additions	**3,193**	1,785
Amortisation expense	**(1,340)**	(1,044)
	4,818	2,965

14. RIGHT-OF-USE ASSETS

The Group leases motor vehicles, office and residential premises. Information about leases for which the Group is a lessee is presented below:

	2020 $000	2019 $000
Property – right-of-use		
At cost	**16,744**	–
Accumulated depreciation	**(2,205)**	
Total written down value	**14,539**	–
Reconciliations		
At cost		
Balance 1 July 2019	**–**	–
Additions	**16,832**	–
Disposals	**(88)**	–
Balance 30 June 2020	**16,744**	–
Accumulated depreciation		
Balance 1 July 2019	**–**	–
Additions	**2,293**	
Disposals	**(88)**	–
Balance 30 June 2020	**2,205**	–
Carrying amount at 30 June 2020	**14,539**	–
Motor vehicle – right-of-use		
At cost	**315**	–
Accumulated depreciation	**(82)**	
Total written down value	**233**	–
Reconciliations		
At cost		
Balance 1 July 2019	**–**	–
Additions	**315**	–
Disposals	**–**	–
Balance 30 June 2020	**315**	–
Accumulated depreciation		
Balance 1 July 2019	**–**	–
Additions	**82**	
Disposals	**–**	–
Balance 30 June 2020	**82**	–
Carrying amount at 30 June 2020	**233**	–
Total right-of-use asset, net	**14,772**	

	Consolidated 2020 $000	Consolidated 2019 $000

14. RIGHT-OF-USE ASSETS (continued)

	2020 $000	2019 $000
Lease liabilities		
Less than one year	**225**	–
More than one year	**17,393**	–
Amounts recongnised in Profit and Loss		
Lease interest on lease liabilities	**955**	–
Rent expenses relating to short term and low value leases	**1,793**	–

The Group leases motor vehicles and properties under agreements between 1 to 5 years in Australia and Overseas. There are options to extend under the property lease agreements.

15. 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.

	2020 $000	2019 $000
Total other financial assets	**1,080**	1,079
	1,080	1,079

16. TRADE AND OTHER PAYABLES (CURRENT)

	2020 $000	2019 $000
Trade payables (a)	**19,575**	13,585
Accrued R&D and other creditors (a)	**39,944**	45,070
Rent-free period (refer Note 2(s))	**–**	565
Derivative financial instruments (b)	**30**	(157)
Employee entitlements:		
– annual leave	**2,546**	2,088
– other	**515**	466
Total current trade and other payables	**62,610**	61,617

(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.

17. PROVISIONS (CURRENT)

	2020 $000	2019 $000
Long service leave	**2,014**	2,000
Leasehold make good	**69**	68
Total current other liabilities	**2,083**	2,068

Movements in provisions:	Long service leave $000	Leasehold make good $000	Total $000
Carrying amount at the beginning of the financial year	**2,000**	**68**	**2,068**
Additional provisions	**14**	**1**	**15**
Carrying amount at the end of the financial year	**2,014**	**69**	**2,083**

	Consolidated	
	2020 $000	2019 $000

18. OTHER LIABILITIES (CURRENT)

	2020 $000	2019 $000
Unearned income	15,268	17,458
Other	891	857
Total current other liabilities	16,159	18,315

19. OTHER PAYABLES (NON-CURRENT)

	2020 $000	2019 $000
Fit-out contribution and rent-free period (refer Note 2(s))	–	1,882
Total non-current other payables	–	1,882

During the year the provision for rent free valued at $2.4 million was offset against right-of-use asset in full.

20. PROVISIONS (NON-CURRENT)

	2020 $000	2019 $000
Long service leave	649	1,132
Leasehold make good	557	457
Total non-current provisions	1,206	1,589

Movements in provisions:	Long service leave $000	Leasehold make good $000	Total $000
Carrying amount at the beginning of the financial year	1,132	457	1,589
Additional provisions	–	100	100
Utilised	–	–	–
Amounts transferred (from)/to current during the year	(483)	–	(483)
Carrying amount at the end of the financial year	649	557	1,206

21. CASH FLOW HEDGE RESERVE

	Consolidated	
	2020 $000	2019 $000
At the beginning of the financial year	157	408
Net surplus on cash flow hedges	(30)	157
Transfer of cash flow hedge reserve to 'Statement of comprehensive income'	(157)	(408)
Total cash flow hedge reserve (a)	(30)	157

(a) The full amount of hedged cash flows as at 30 June 2020 are expected to affect the 'Statement of comprehensive income' within one year.

As at 30 June 2020, the Company did not have any portion of cash flow hedges deemed ineffective.

22. EMPLOYEE ENTITLEMENTS

	Consolidated 2020 $000	Consolidated 2019 $000
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer Note 17)	**2,014**	2,000
Provisions – non-current (refer Note 20)	**649**	1,132
Payables – current (refer Note 16)	**3,061**	2,554
	5,724	5,686

23. REMUNERATION OF AUDITORS

	Consolidated 2020 $	Consolidated 2019 $
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	**215,592**	195,082
• other services in relation to the entity and any other entity in the consolidated entity:		
– other non-audit services	**191,980**	45,320
	407,572	240,402

24. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

Alan Beckett	Chair
Jason Strong	(Managing Director – appointed 25 Mar 2019)
Michele Allan	(resigned 20 Nov 2019)
Robert Fitzpatrick	
Erin Gorter	
Andrew Michael	
Russell Lethbridge	
Manny Noakes	
Jo Pye	
John Lloyd	(appointed 20 Nov 2019)

(ii) Executives

Michael Finucan	General Manager – International Markets (resigned 30 Dec 2019)
Andrew Cox	General Manager – International Markets (appointed 30 Dec 2019)
Michael Crowley	General Manager – Research, Development and Adoption
Sean Starling	General Manager – Research, Development and Innovation (resigned 30 Sep 2019)
Clare Stanwix	General Counsel and Company Secretary (resigned 22 May 2020)
Jane Weatherley	Chief Executive Officer – ISC
Lisa Sharp	Chief Marketing and Communications Officer (resigned 30 Jun 2020)
Andrew Ferguson	Chief Operating Officer
Peta Slack-Smith	General Manager – Strategic Communications and Corporate Affairs (appointed 19 Aug 2019, resigned 18 Dec 2019)
Lucy Broad	General Manager – Communications (appointed 29 Jun 2020)

	Notes	Consolidated 2020 $	2019 $
24. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)			
(iii) Compensation of key management personnel by categories			
Directors (a)			
Short-term benefits		**1,340,458**	1,181,834
Post-employment benefits		**75,744**	70,542
Other long-term benefits		**2,389**	915
	(a)	**1,418,591**	1,253,291
Executives (b)			
Short-term benefits		**2,612,042**	2,644,578
Post-employment benefits		**137,545**	143,756
Other long-term benefits		**36,119**	52,446
	(b)	**2,785,706**	2,840,780

(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:

- Dr Allan is Chancellor of Charles Sturt University which invoiced the Company 2019–20: $403,224 (2018–19: $1,277,087) for various R&D projects including 'Eating quality potential of older female cattle' and 'Improving process of finishing lamb'. The Company has invoiced Charles Sturt University 2019–20: $834,701 (2018-19: $864,470) for a number of Rural R&D for Profit programs relating to Food and Mouth Disease (FMD) and dung beetle ecosystem engineers, as well as various MDC projects including 'Diagnostic technologies in feedlot sector' and 'Creating a dairy beef supply chain to increase the value and volume of beef and veal products.' Dr Allan is Director of CSIRO which invoiced the Company 2019–20: $4,351,834 (2018–19: $6,976,300) for various R&D projects including 'Improving the use of forage brassicas in mixed farming systems', 'Feedlot heat load nutrition program' and 'Strengthening the viral rabbit biocontrol pipeline'. The Company invoiced CSIRO 2019–20: $2,312,775 (2018-19: $1,439,215) mainly for 'Strengthening the viral rabbit biocontrol pipeline' and 'Welfare benchmarking and management for the beef cattle and sheep meat industries' projects. Dr Allan is Director of Food Innovation Australia which invoiced the Company 2019–20: $22,000 (2018–19: $nil) for project ' Beyond meat to quality ingredient component review'. Dr Allan is Director of Nuffield Australia which invoiced the Company 2019–20: $58,300 (2018–19: $58,300) for Scholarships. Dr Allan is a Director of Wine Australia which the Company has invoiced 2019–20: $40,000 (2018–19: $193,377) for contribution to China International Import Export Expo (CIIEE).
- Mr John Lloyd is a Member of Council of Charles Sturt University which invoiced the Company 2019–20: $403,224 (2018–19: $1,277,087) for various R&D projects including 'Eating quality potential of older female cattle' and 'Improving process of finishing lamb'. The Company has invoiced Charles Sturt University 2019–20: $834,701 (2018–19: $864,470) for a number of Rural R&D for Profit programs relating to Food and Mouth Disease (FMD) and dung beetle ecosystem engineers, as well as various MDC projects including 'Diagnostic technologies in feedlot sector' and 'Creating a dairy beef supply chain to increase the value and volume of beef and veal products.' Mr John Lloyd is a Director of Grains and Legumes Nutrition Council which has not invoiced the Company during the year and the company invoiced 2019–20: $30,638 (2018–19: $29,460) mainly for North Sydney Office rent. Mr John Lloyd is an Advisor for SparkLabs Cultiv8 which has not invoiced the company during the year and the Company invoiced 2019–20: $173,855 (2018–19: $306,405) for 'SparkLabs accelerator program support'.
- Ms Gorter is a Director of Primary Industries Education Foundation Australia which invoiced the Company 2019–20: $86,625 (2018-19: $86,625) for membership funding to Primary Industries Education Foundation. Ms Gorter is a Member of Southern DIRT which invoiced the Company 2019–20: $5,500 (2018–19: $40,516) for sponsorship of Southern DIRT TECHSPO 2019 (Technology Expo). Ms Gorter is a Director of AgVivo Pty Ltd which has not invoiced the Company during the year and the Company refunded 2019–20: $2,507 (2018–19 $nil) for unspent funds from 'WA Producer & Research thought leadership NZ tour' project.
- Mr Russell Lethbridge is a member of Agforce Queensland which invoiced the Company 2019–20: $14,300 (2018–19: $333,285) for Sponsorships for Goat Field Day 2019 in Cunnamulla and Sponsorship of Cattle Forum 2019. The Company has invoiced AgForce Queensland 2019–20: $124,740 (2018–19: $157,080) for an MDC project relating to 'Adoption of best practice vertebrate pest control in Northern Queensland'.

	Consolidated 2020 $000	Consolidated 2019 $000
25. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash on hand	**145,246**	100,236
Short-term money market deposits	**–**	58,000
Closing cash balance	**145,246**	158,236
(b) Reconciliation of net cash from operating activities to net surplus		
Net (deficit)	**(3,965)**	(4,486)
Adjustments for:		
Net loss on disposal of property, plant and equipment	**2**	36
Depreciation expense	**3,586**	1,062
Amortisation expense	**1,340**	1,044
Interest received	**(3,679)**	(4,255)
Net foreign exchange differences	**161**	–
Right-of-use leases:		
Lease rent	**2,742**	–
Revaluation of lease asset adjustment	**2,455**	–
Change in assets and liabilities:		
Decrease/(increase) in assets:		
Decrease/(increase) in trade and other receivables	**(6,712)**	629
(Increase) in prepayments and deposits	**(81)**	(32)
Decrease in other financial assets	**(1)**	561
Increase/(decrease) in liabilities:		
Increase/(decrease) in trade and other payables	**(889)**	7,500
Increase(decrease) in other liabilities	**16**	(6,476)
(Decrease)/increase in provisions	**(2,726)**	(457)
Net cash from operating activities	**(7,751)**	(4,874)
26. EXPENDITURE COMMITMENTS		
Expenditure (primarily research and development) contracted for is payable as follows:		
– Not later than one year	**125,411**	139,521
– Later than one year but not later than five years	**123,939**	135,033
– Later than five years	**–**	–
Aggregate R&D expenditure contracted for at balance date	**249,350**	274,554
Operating lease expenditure contracted for is payable as follows:		
– Not later than one year	**1,550**	4,786
– Later than one year but not later than five years	**1,164**	9,344
– Later than five years	**–**	564
Aggregate lease expenditure contracted for at balance date (a)	**2,714**	14,694

(a) The operation commitments include maintenance contracts, existing leases for properties with terms less than one year and one new lease signed in the financial year ending 30 June 2021 which will be classified according to AASB 16.

27. 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 2020, the number of members was 49,589 (2019: 49,692).

	Consolidated	
	2020 $000	2019 $000
28. CONTRIBUTED EQUITY		
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.

29. 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 twelve 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 1.78% at 30 June 2020. Some of these assets are held in foreign currency accounts.

Sensitivity analysis:

At 30 June 2020, if interest rates moved, as illustrated in the table below, with all other variables held constant, the effect on the Group's net surplus would have been as follows:

Judgements of reasonable possible movements:

	Consolidated surplus	
	2020 $000	2019 $000
+0.50% (2019: +1.00%)	**671**	1,477
-1.00% (2019: -0.50%)	**(1,341)**	(739)

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 twelve 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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2020, 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 2020.

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.

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	**59,519**	–

(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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 2020	
	Market observable inputs (level 2) $000	Total $000
Financial assets		
Derivative instruments	**(90)**	**(90)**
Forward currency contracts	**(90)**	**(90)**

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 2020, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by $90,031 (30 June 2019: $53,222) and derivative liabilities are reduced by $90,031 (30 June 2019: $53,222).

30. 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 on 23 January 2019, the judgment supported the Patent amendments. MLA was awarded 10 percent of the substantive costs incurred.

On 15 February 2019 MLA sought leave to appeal the decision.

On 29 August 2019 a full bench of the Federal Court considered a) MLAs application for Leave to Appeal and b) the matters listed for appeal and the judgment has been reserved. There is no date fixed for delivery of the judgment.

MLA will continue to pursue every option to protect the genetic advancement of Australia's beef herd.

31. FINANCING ARRANGEMENTS

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

- A $500,000 (2019: $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 (2019: $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 Meat & Livestock Australia Limited for the financial year ended 30 June 2020 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 2020 and of its 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.

This declaration has been made after receiving the declarations required to be made to the directors by the managing director and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2020.

On behalf of the Board

Alan Beckett
Director

Jason Strong
Managing Director

16 September 2020

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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 2020, 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 2020 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 (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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
15 September 2020