Financial report

MLA's International Business Manager in Japan, Andrew Cox, being interviewed by Japanese media at the launch of the 'Let's Barbie' campaign for Aussie beef at the Australian Embassy in Tokyo.

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 2016.

Directors

The names and details of the company's directors in office during the financial year and until the date of this report are as follows: Dr Michele Allan, Mr Richard Norton, Ms Lucinda Corrigan, Mr Geoffrey Maynard, Mr George Scott, Mr Chris Mirams, Mr Alan Beckett, Ms Erin Gorter, Mr Steven Chaur and Mr Robert Fitzpatrick.

Directors retired during the year

Directors retiring during the year were Mr Peter Trefort and Mr John McKillop, both in November 2015.

Company secretary

The company secretary during the year was Ms Clare Stanwix.

See pages 73-75 for names, qualifications, experience and special responsibilities of the directors, directors retired during the year and the company secretary.

Subsidiaries

MLA Donor Company Limited

The business activities of MLA Donor Company Limited are overseen by a separate board of directors. At 30 June 2016, the members of the board were Mr Richard Norton, Mr Geoffrey Maynard, Mr Chris Mirams, Mr Rob Fitzpatrick and Ms Lucinda Corrigan.

National Livestock Identification System Limited

The business activities of National Livestock Identification System Limited are overseen by a separate board of directors. At 30 June 2016, the members of the board were Mr John Wyld, Mr Ian Feldtmann, Mr Peter Milne, Mr Richard Norton and Mr Rob Fitzpatrick.

Directors' meetings

During the period 1 July 2015 to 30 June 2016 the MLA Board held 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
R Fitzpatrick	5 [5]	5 [5]		
M Allan	8 [8]	8 [8]		2 [3]
G Maynard	7 [8]	7 [8]		
L Corrigan	8 [8]	8 [8]	4 [4]	
P Trefort	3 [3]	3 [3]		1 [1]
S Chaur	4 [5]	4 [5]	2 [2]	2 [2]
J McKillop	3 [3]	3 [3]	1 [1]	1 [1]
E Gorter	5 [5]	5 [5]		2 [2]
G Scott	8 [8]	8 [8]		
R Norton	8 [8]	8 [8]	2 [4]	2 [3]
A Beckett	8 [8]	8 [8]	4 [4]	
C Mirams	8 [8]	8 [8]		2 [2]

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 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)	2 [2]
Alan Beckett	2 [2]
Chris Mirams	2 [2]
Geoff Maynard	2 [2]
Peak Council representatives	
Therese Herbert	4 [4]
Don Mackay	4 [4]
Jeffrey Murray	4 [4]
Howard Smith	4 [4]
MLA Member elected representatives	
Mick Hewitt	2 [2]
Ian McCamley	4 [4]
Jane Kellock	4 [4]

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 $25,371,000 (2015: net surplus of $26,178,000). This was primarily attributed to larger than expected transaction levy income resulting from the high level of turn-off rates driven by strong market prices offered by the processers and lower expenditure due to realignment of spending strategy.

Group overview

The Group earned total revenue of $197,812,000 (2015: $205,735,000) which is comprised of the following:

- Transaction levies $111,383,000 (2015: $114,767,000)
- Research and development matching grants $44,023,000 (2015: $46,475,000)

- Research and development contributions (unmatched) $2,192,000 (2015: $238,000)
- Other income and revenues $40,214,000 (2015: $44,255,000)

Total income received/receivable was more than total expenditure, which resulted in a net surplus from continuing operations of $25,371,000 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.

Rounding of amounts

The Company is of the kind specified in Australian Securities and Investments Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

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 2016 has been received and can be found following this report.

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

M Allan

Dr Michele Allan
Director

Richard Norton
Director

Sydney
14 September 2016

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

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Fax: +61 2 9248 5959
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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 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Rob Lewis
Partner
Sydney
14 September 2016

Income statement

Year ended 30 June 2016	Note	Consolidated 2016 $000	Consolidated 2015 $000
CONTINUING OPERATIONS			
REVENUES FROM CONTINUING OPERATIONS	3	**197,812**	205,735
EXPENDITURE FROM CONTINUING OPERATIONS			
Trade and market access		**24,722**	23,081
Increasing customer and consumer demand		**65,389**	65,509
Improve productivity and profitability across the supply chain		**27,871**	37,580
Industry sustainability and integrity		**20,056**	22,728
Industry leadership, innovation adoption and capability		**15,417**	12,948
Stakeholder engagement and communication		**6,238**	4,454
AUS-MEAT		**550**	550
Corporate service		**12,198**	12,707
Total expenditure		**172,441**	179,557
NET SURPLUS FROM CONTINUING OPERATIONS		**25,371**	26,178
TOTAL CHANGE IN MEMBERS' FUNDS		**25,371**	26,178

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

Statement of comprehensive income

Year ended 30 June 2016	Consolidated 2016 $000	Consolidated 2015 $000
NET SURPLUS FROM CONTINUING OPERATIONS	**25,371**	26,178
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the *Income Statement*		
Cash flow hedges:		
Gain/(Loss) taken to equity	**(210)**	68
Transferred to *Statement of financial position*	**(68)**	216
Other comprehensive income/(expense) for the year	**(278)**	284
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**25,093**	26,462

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

Statement of financial position

As at 30 June 2016	Notes	Consolidated 2016 $000	Consolidated 2015 $000
CURRENT ASSETS			
Cash and cash equivalents	25	**123,265**	90,973
Trade and other receivables	7	**38,237**	34,100
Prepayments and deposits	8	**1,684**	1,279
TOTAL CURRENT ASSETS		**163,186**	126,352
NON-CURRENT ASSETS			
Property, plant and equipment	12	**4,297**	5,332
Intangible assets	13	**1,623**	1,399
Other financial assets	14	**3,112**	4,243
TOTAL NON-CURRENT ASSETS		**9,032**	10,974
TOTAL ASSETS		**172,218**	137,326
CURRENT LIABILITIES			
Trade and other payables	15	**33,822**	36,844
Provisions	16	**1,670**	1,788
Other liabilities	17	**22,721**	9,793
TOTAL CURRENT LIABILITIES		**58,213**	48,425
NON-CURRENT LIABILITIES			
Other payables	18	**3,017**	3,294
Provisions	19	**1,440**	1,152
TOTAL NON-CURRENT LIABILITIES		**4,457**	4,446
TOTAL LIABILITIES		**62,670**	52,871
NET ASSETS		**109,548**	84,455
EQUITY – MEMBERS' FUNDS			
Contributed equity	28	**9,031**	9,031
Retained surplus		**100,727**	75,356
Cash flow hedge reserve	20	**(210)**	68
TOTAL EQUITY – MEMBERS' FUNDS		**109,548**	84,455

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

Statement of changes in equity

Year ended 30 June 2016	Contributed equity $000	Consolidated Retained earnings $000	Cash flow hedge reserve $000	Total $000
At 1 July 2014	9,031	49,178	(216)	57,993
Surplus for the year	–	26,178	–	26,178
Other comprehensive income	–	–	284	284
Total comprehensive income	–	26,178	284	26,462
At 30 June 2015	**9,031**	**75,356**	**68**	**84,455**
Surplus for the year	**–**	**25,371**		**25,371**
Other comprehensive (expense)	**–**	**–**	**(278)**	**(278)**
Total comprehensive (loss)/income	**–**	**25,371**	**(278)**	**25,093**
At 30 June 2016	**9,031**	**100,727**	**(210)**	**109,548**

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

Statement of cash flows

Year ended 30 June 2016	Notes	Consolidated 2016 $000	Consolidated 2015 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies collected		**122,175**	125,880
Research and development matching grants		**50,075**	48,588
Receipts from processors and live exporters		**10,752**	19,370
Other receipts		**27,054**	24,550
Payments to suppliers and employees		**(179,197)**	(191,526)
NET CASH FLOWS FROM OPERATING ACTIVITIES	25(b)	**30,859**	26,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**24**	–
Purchase of property, plant and equipment		**(705)**	(522)
Purchase of software	13	**(971)**	(271)
Interest received		**3,085**	2,319
NET CASH FLOWS FROM INVESTING ACTIVITIES		**1,433**	1,526
NET INCREASE IN CASH HELD		**32,292**	28,388
Add opening cash brought forward		**90,973**	62,585
CLOSING CASH CARRIED FORWARD	25(a)	**123,265**	90,973

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 2016 was authorised for issue in accordance with a resolution of the directors on 14 September 2016.

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 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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

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

- **AASB 15 Revenue from Contracts with Customers**
  This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

- **AASB 16 Leases**
  This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small

office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Meat & Livestock Australia Limited 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.
- R&D partnership income, 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	1-7 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 which 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.

3. REVENUE FROM CONTINUING OPERATIONS

	Notes	Consolidated 2016 $000	Consolidated 2015 $000
Revenues from operating activities			
Transaction levies	4	**111,383**	114,767
R&D Commonwealth matching payments		**44,023**	46,475
R&D contributions (unmatched)		**2,192**	238
Other income	5	**37,116**	41,674
Total revenues from operating activities		**194,714**	203,154
Revenues from non-operating activities			
Bank interest		**3,098**	2,581
Total revenues from non-operating activities		**3,098**	2,581
Total revenues from continuing operations		**197,812**	205,735

	Consolidated	
	2016 $000	2015 $000

4. TRANSACTION LEVIES

Transaction levies:		
– Grainfed cattle	**11,947**	10,510
– Grassfed cattle	**61,433**	66,938
– Lambs	**34,718**	33,683
– Sheep	**2,490**	2,720
– Goats	**795**	916
Total transaction levies	**111,383**	114,767

5. OTHER INCOME

Processor contributions	**12,029**	12,325
Live exporter contributions	**2,090**	2,416
Co-operative funding	**1,414**	2,855
R&D partnership income	**16,404**	15,000
Sale of products or services	**1,681**	1,595
Other	**3,498**	7,483
Total other income	**37,116**	41,674

6. EXPENSES AND LOSSES

Depreciation and amortisation of non-current assets included in the *Income statement:*		
Leasehold improvements	**739**	785
Plant and equipment	**960**	1,009
Furniture and fittings	**20**	28
Amortisation of intangible assets	**734**	528
Total depreciation and amortisation of non-current assets	**2,453**	2,350
(Gain)/Loss on sale of assets	**(3)**	26
Operating lease rentals included in the *Income statement*	**3,750**	3,442
Employee benefit expense:		
Wages and salaries	**25,869**	26,588
Worker's compensation costs	**152**	114
Annual leave provision	**1,707**	1,547
Long service leave provision	**504**	237
Superannuation expense	**2,104**	2,090
Other post-employment benefits	**88**	40
Total employee benefit expense	**30,424**	30,616

	Consolidated	
	2016 $000	2015 $000

7. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade receivables	**10,289**	5,178
Allowance for impairment of receivables (a)	**–**	–
Trade receivables, net	**10,289**	5,178
Accrued revenue		
– Levies	**8,348**	8,002
– R&D Commonwealth matching payments	**17,143**	18,714
– Other	**2,343**	2,090
Total accrued revenue	**27,834**	28,806
Other receivables	**114**	116
Total current receivables, net	**38,237**	34,100

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 2016	**10,289**	**10,197**	**64**	**10**	**1**	**3**	**14**
30 June 2015	5,178	4,697	316	62	21	47	35

(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: $92,000 (2015: $481,000). 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.

	Consolidated	
	2016 $000	2015 $000

8. PREPAYMENTS AND DEPOSITS

	2016 $000	2015 $000
Prepayments	**1,107**	658
Deposits	**577**	621
Total prepayments and deposits	**1,684**	1,279

9. INVESTMENT IN ASSOCIATE

	2016 $000	2015 $000
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 2016 was $550,000 (2015: $550,000).

Summary results of the associate entity	AUS-MEAT Limited	
	2016 $000	2015 $000
Revenue	**14,262**	14,460
Accumulated surplus at beginning of the year	**4,028**	3,249
Net surplus for the year	**310**	779
Accumulated surplus at end of the year	**4,338**	4,028
Financial summary of associated entity		
Total current assets	**10,431**	11,002
Total non-current assets	**3,312**	3,223
Total current liabilities	**4,375**	5,125
Total non-current liabilities	**180**	221
Net assets	**9,188**	8,879

The investment in AUS-MEAT Limited has been taken up at nil value (2015: $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 Meat & Livestock Australia Limited and the subsidiaries listed in the following table.

	Equity interest %		Investment $000	
Name	2016	2015	2016	2015
a) MLA Donor Company Limited	**100**	100	**–**	–
b) National Livestock Identification System 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) National Livestock Identification System Limited (NLIS) 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.

	2016 $000	2015 $000

11. PARENT ENTITY INFORMATION

	2016 $000	2015 $000
Information relating to Meat & Livestock Australia Ltd		
Current assets	**159,546**	122,329
Total assets	**168,498**	133,154
Current liabilities	**55,902**	43,823
Total liabilities	**60,247**	48,440
Contributed equity	**9,031**	9,031
Reserves	**(210)**	68
Total equity – Members' funds	**99,431**	84,715
Surplus/(Deficit) for the year	**25,371**	26,178
Other comprehensive (expense)/income for the year	**(278)**	284

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.

12. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2016 $000	Consolidated 2015 $000
Plant and equipment		
At cost	**5,853**	5,824
Accumulated depreciation	**(4,960)**	(4,296)
Total plant and equipment	**893**	1,528
Furniture and fittings		
At cost	**351**	336
Accumulated depreciation	**(260)**	(289)
Total furniture and fittings	**91**	47
Leasehold improvements		
At cost	**5,899**	5,711
Accumulated depreciation	**(2,586)**	(1,954)
Total leasehold improvements	**3,313**	3,757
Total property, plant and equipment		
Cost	**12,103**	11,871
Accumulated depreciation	**(7,806)**	(6,539)
Total written down value	**4,297**	5,332

	Consolidated 2016 $000	2015 $000

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2016 $000	2015 $000
Plant and equipment		
Carrying amount at beginning	**1,528**	2,073
Additions	**346**	491
Disposals	**(21)**	(26)
Depreciation expense	**(960)**	(1,010)
	893	1,528
Furniture and fittings		
Carrying amount at beginning	**47**	72
Additions	**64**	7
Disposals	**–**	(4)
Depreciation expense	**(20)**	(28)
	91	47
Leasehold improvements		
Carrying amount at beginning	**3,757**	4,533
Additions	**514**	65
Disposals	**(219)**	(15)
Depreciation expense	**(739)**	(826)
	3,313	3,757

13. INTANGIBLE ASSETS

	2016 $000	2015 $000
Software		
At cost	**7,318**	6,347
Accumulated amortisation	**(5,695)**	(4,948)
Total software	**1,623**	1,399
Reconciliation		
Carrying amount at beginning	**1,399**	1,656
Additions	**971**	271
Amortisation expense	**(747)**	(528)
	1,623	1,399

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.

	2016 $000	2015 $000
Total other financial assets	**3,112**	4,243
	3,112	4,243

	Consolidated 2016 $000	2015 $000

15. TRADE AND OTHER PAYABLES (CURRENT)

	2016 $000	2015 $000
Trade payables (a)	**15,406**	15,484
Accrued R&D and other creditors (a)	**15,492**	18,903
Rent-free period (Refer Note 2(q))	**489**	472
Derivative financial instruments (b)	**210**	(68)
Employee entitlements		
– Annual leave	**1,887**	1,787
– Other	**338**	266
Total current trade and other payables	**33,822**	36,844

(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. Where other creditors and accruals include balances that are denominated in a foreign currency that has not been effectively hedged, these balances have been further disclosed in Note 21.

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

16. PROVISIONS (CURRENT)

	Consolidated 2016 $000	2015 $000
Long service leave	**1,658**	1,667
Leasehold make good	**12**	121
Total current provisions	**1,670**	1,788

Movements in provisions:	Consolidated Long service leave $000	Leasehold make good $000	Total $000
Carrying amount at the beginning of the financial year	**1,667**	**121**	**1,788**
Additional provisions	**179**	**–**	**179**
Utilised	**(345)**	**–**	**(345)**
Amounts transferred from/(to) non-current during the year	**157**	**(109)**	**48**
Carrying amount at the end of the financial year	**1,658**	**12**	**1,670**

17. OTHER LIABILITIES (CURRENT)

	Consolidated 2016 $000	2015 $000
Unearned income	**21,165**	8,888
Other	**1,556**	905
Total current other liabilities	**22,721**	9,793

	Consolidated	
	2016 $000	2015 $000
18. OTHER PAYABLES (NON-CURRENT)		
Fit-out contribution and rent-free period (Refer Note 2(q))	**3,017**	3,294
Total non-current other payables	**3,017**	3,294
19. PROVISIONS (NON-CURRENT)		
Long service leave	**788**	661
Leasehold make good	**652**	491
Total non-current provisions	**1,440**	1,152

	Consolidated		
Movements in provisions:	Long service leave $000	Leasehold make good $000	Total $000
Carrying amount at the beginning of the financial year	**661**	**491**	**1,152**
Additional provisions	**284**	**52**	**336**
Amounts transferred (from)/to current during the year	**(157)**	**109**	**(48)**
Carrying amount at the end of the financial year	**788**	**652**	**1,440**

	Consolidated	
	2016 $000	2015 $000
20. CASH FLOW HEDGE RESERVE		
At the beginning of the financial year	**68**	(216)
Net surplus/(loss) on cash flow hedges	**(210)**	68
Transfer of cash flow hedge reserve to *Statement of comprehensive income*	**(68)**	216
Total cash flow hedge reserve (a)	**(210)**	68

(a) The full amount of hedged cash flows as at 30 June 2016 are expected to affect the *Statement of comprehensive income* within one year.

Gains and losses on the effective portions of derivatives designated as cash flow hedges are directly recognised in equity (the cash flow hedge reserve) and are transferred to current year earnings when the cash flows affect the *Statement of comprehensive income*. As at 30 June 2016, a loss of $209,933 (2015: $67,947 gain) was recognised in the cash flow hedge reserve. As at 30 June 2016, the Company did not have any portion of cash flow hedges deemed ineffective.

	Consolidated 2016 $000	Consolidated 2015 $000

21. FOREIGN CURRENCY EXPOSURE

The Company takes out forward foreign exchange contracts for all foreign currencies to minimise the short-term impact of currency fluctuations on overseas programs (refer Note 29). The Australian dollar equivalents of other foreign currency monetary items included in the *Statement of financial position* that are not hedged are set out below.

	2016 $000	2015 $000
Current assets:		
– UAE Dirham	**496**	386
– Euro	**77**	52
– Chinese renminbi	**145**	55
– Indonesian rupiah	**47**	85
– Singapore	**42**	36
– Vietnamese	**13**	28
	820	642
Current liabilities:		
– UAE Dirham	**104**	36
– Euro	**3**	–
– Chinese renminbi	**89**	44
– Indonesian rupiah	**46**	82
	242	162

22. EMPLOYEE ENTITLEMENTS

	2016 $000	2015 $000
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer Note 16)	**1,658**	1,667
Provisions – non-current (refer Note 19)	**788**	661
Payables – current (refer Note 15)	**2,225**	2,053
	4,671	4,381

23. REMUNERATION OF AUDITORS

	Consolidated 2016 $	Consolidated 2015 $
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	**169,950**	164,800
– other services in relation to the entity and any other entity in the consolidated entity:		
• tax compliance	**8,800**	8,000
• other non-statutory audit services (a)	**97,267**	24,624
	276,017	197,424
(a) Summary of the other non-statutory audit fees incurred are:		
Levies and grant audits	**19,570**	24,624
Governance and strategy development	**9,981**	–
Sustainable packaging evaluation	**67,716**	–
	97,267	24,624

24. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

Michele Allan	Chair
Richard Norton	Managing Director
George Scott	
Lucinda Corrigan	
Geoffrey Maynard	
John McKillop	(resigned 9 Nov 2015)
Peter Trefort	(resigned 9 Nov 2015)
Alan Beckett	
Chris Mirams	
Erin Gorter	(appointed 10 Nov 2015)
Robert Fitzpatrick	(appointed 10 Nov 2015)
Steven Chaur	(appointed 10 Nov 2015)

(ii) Executives

Christine Pitt	Chief Executive Officer – MDC (appointed 1 May 2016)
Clare Stanwix	General Counsel and Company Secretary
Alex Ball	General Manager – Livestock Productivity (resigned 22 Apr 2016)
Michael Finucan	General Manager – International Markets
Jane Weatherley	General Manager – Livestock Productivity (appointed 1 Apr 2015)
Steve Potts	Chief Operating Officer (resigned 18 Dec 2015)
Matthew McDonagh	General Manager – On-Farm Innovation and Adoption
Rachel Cofrancesco	Head of Human Resources
Lisa Sharp	General Manager – Central Marketing Industry Insights
Clair Cameron	General Manager – Communication and Stakeholder Engagement (resigned 31 Mar 2016)
Sean Starling	General Manager – Value Chain Innovation (appointed 27 Apr 2016)
Andrew Ferguson	Chief Financial Officer (appointed 7 Dec 2015)

(iii) Compensation of key management personnel by categories

		Consolidated	
	Notes	2016 $	2015 $
Directors (a)			
Short-term benefits		**1,113,625**	979,095
Post-employment benefits		**76,655**	63,666
Other long-term benefits		**2,598**	1,153
	(a)	**1,192,878**	1,043,914
Executives (b)			
Short-term benefits		**3,144,917**	2,646,775
Post-employment benefits		**197,275**	172,794
Other long-term benefits		**34,784**	45,968
	(b)	**3,376,976**	2,865,537

(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:

- Mr Chris Mirams is a director of Holbrook Landcare Network which invoiced the Company $72,270 (2015: $18,933) for a program dealing with the demonstration of diet to influence lamb sex ratio.
- Mr Robert Fitzpatrick is a councillor of Charles Sturt University which invoiced the Company $386,830 (2015: $nil) for various R&D projects including the herbicide resistance option program, remote calving alert for beef cattle technology development and the residue definition of lignocaine and bupivacaine in sheep and cattle program.
- Mr Peter Trefort is a non-executive director of Sheep Co-operative Research Centre Limited (Sheep CRC), joining the Board in June 2009. The Sheep CRC is supported by major providers, managers and users of research in the Australian sheep industry and is supported under the Australian Government's Cooperative Research Centres (CRC) Program. The role of the CRC is to facilitate transformation of the sheep industry. The Sheep CRC is a company limited by guarantee which MLA is a participant and member of. It was established in July 2007 for a term of seven years. The MLA Board approved its participation and contribution in February 2006. The Sheep CRC invoiced the Company $1,328,250 (2015: $1,741,528) to carry out various R&D projects. The outstanding balance at 30 June was $695,365 (2015: $426,250).
- Dr Michele Allan is Chancellor of Charles Sturt University which invoiced the Company $386,830 (2015: $nil) for various R&D projects including the herbicide resistance option program and remote calving alert for beef cattle technology development program. Dr Allan is Chair of the CSIRO Food and Nutrition Flagship Advisory Committee. CSIRO invoiced the Company $4,153,311 (2015: $4,821,112) for various R&D projects. Dr Allan is director of Food Innovation Australia which invoiced the Company $153,348 (2015: $nil) for the development of meat-based retail-ready chilled toddler food. The Company has invoiced Food Innovation Australia $52,311 (2015: $126,844) for the same project.
- Ms Lucinda Corrigan is the Chair of Primary Industries Ministerial Advisory Council in NSW. The Company has invoiced $183,530 (2015: $nil) for the acid-tolerant lucerne and acid-tolerant rhizobia project which will test and demonstrate the value of the combination to red meat producers at four sites in south-eastern Australia.
- Mr John McKillop is a non-executive director of Dairy Australia Limited which has invoiced the Company $203,467 (2015: $119,806) for the People in Agriculture Project and a program for stimulating private sector extension in Australian agriculture. The Company has invoiced Dairy Australia Limited $15,265 (2015: $188,798) for 'Cattle Selection Methods patent' opposition. Mr McKillop is also a non-executive director of Primary Industries Education Foundation which invoiced the Company $82,500 (2015: $92,950) for Primary Industries Education Foundation (PIEF) membership.
- Mr George Scott is a member of Northern Territory Cattlemen's Association which invoiced the Company $20,862 (2015: $46,500) for the 2016 NTCA Industry Conference. Mr Scott is a member of AgForce Queensland which invoiced the Company $31,929 (2015: $7,100) sponsorship of the AgForce conference series and development of the lay spaying training program. Mr Scott received director's fees including superannuation totalling $17,520 (2015: $17,600) from AUS-MEAT Limited.
- Ms Erin Gorter is a trustee of Gorter Family Trust trading as Erin Gorter Enterprises which invoiced the Company $90,549 (2015: $nil) for professional fees ($76,382) and reimbursement of associated expenses ($14,167) as WA Meat Research Council (WAMRC) Coordinator and WA Livestock Research Council (WALRC) Coordinator.

	Consolidated	
	2016 $000	2015 $000
25. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash on hand	**34,664**	14,374
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	**101**	99
Short-term money market deposits	**88,500**	76,500
Closing cash balance	**123,265**	90,973
(b) Reconciliation of net cash from operating activities to net surplus		
Net surplus/(deficit)	**25,371**	26,178
Adjustments for:		
Net (gain)/loss on disposal of property, plant and equipment	**(3)**	45
Depreciation expense	**1,719**	1,821
Amortisation expense	**747**	528
Interest received	**(3,085)**	(2,319)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
(Increase) in trade and other receivables	**(4,137)**	(5,394)
(Increase) in prepayments and deposits	**(405)**	(209)
Decrease in other financial assets	**1,131**	1,031
Increase/(decrease) in liabilities:		
(Decrease)/increase in trade and other payables	**(3,299)**	2,504
Increase in other liabilities	**12,928**	3,465
(Decrease) in provisions	**(108)**	(788)
Net cash from operating activities	**30,859**	26,862
Expenditure (primarily research and development) contracted for is payable as follows:		
– Not later than one year	**76,006**	69,009
– Later than one year but not later than five years	**31,795**	36,668
– Later than five years	**–**	–
Aggregate R&D expenditure contracted for at balance date	**107,801**	105,677
Operating lease expenditure contracted for is payable as follows:		
– Not later than one year	**4,499**	3,943
– Later than one year but not later than five years	**8,601**	8,926
– Later than five years	**4,415**	5,422
Aggregate lease expenditure contracted for at balance date (a)	**17,515**	18,291

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

	Consolidated	
	2016 $000	2015 $000

26. EXPENDITURE COMMITMENTS

	2016 $000	2015 $000
Expenditure (primarily research and development) contracted for is payable as follows:		
– Not later than one year	**76,006**	69,009
– Later than one year but not later than five years	**31,795**	36,668
– Later than five years	**–**	–
Aggregate R&D expenditure contracted for at balance date	**107,801**	105,677
Operating lease expenditure contracted for is payable as follows:		
– Not later than one year	**4,499**	3,943
– Later than one year but not later than five years	**8,601**	8,926
– Later than five years	**4,415**	5,422
Aggregate lease expenditure contracted for at balance date (a)		
(a) The operating lease commitments include leases for properties, motor vehicles and maintenance with terms ranging from one to five years.	**4,499**	3,943

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 2016, the number of members was 49,892 (2015: 49,845).

28. CONTRIBUTED EQUITY

	2016 $000	2015 $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.

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 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 3.15% at 30 June 2016. Some of these assets are held in foreign currency accounts.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Sensitivity analysis:

At 30 June 2016, 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	
	2016 $000	2015 $000
+1.00% (2015: +1.00%)	**1,228**	941
- 0.50% (2015: -0.50%)	**(614)**	(470)

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 US dollar, Japanese yen 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 2016, 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 2016.

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 unforseen interruption of cash flow.

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

29. 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.

Financial liabilities	Consolidated Less than 6 months $000	Consolidated 6 to 12 months $000
Trade and other payables	**32,897**	–

(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.

Financial assets	Consolidated Year ended 30 June 2016 Market observable inputs (level 2) $000	Consolidated Year ended 30 June 2016 Total $000
Derivative instruments		
Forward currency contracts	**(210)**	(210)
	(210)	(210)

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 2016, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by $452,728 (30 June 2015: $114,636) and derivative liabilities are reduced by $452,728 (30 June 2015: $114,636).

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 (2015: $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 (2015: $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 2016 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.

On behalf of the Board

Dr Michele Allan
Director

Richard Norton
Director

Sydney
14 September 2016

Building a better working world

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Independent auditor's report to the members of Meat & Livestock Australia Limited

Report on the Financial Report

We have audited the accompanying financial report of Meat & Livestock Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

Independent auditor's report

to the members of Meat & Livestock Australia Limited

Opinion

In our opinion:

a. the financial report of Meat & Livestock Australia Limited is 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 2016 and of its performance for the year ended on that date; and

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

Ernst & Young

Rob Lewis
Partner
Sydney
14 September 2016