Financial report

The centrepiece of MLA's autumn lamb campaign was The Currency Kitchen, a week-long pop-up restaurant featuring leading chefs serving up lamb to diners who paid for the experience with currency from anywhere in the world.

Financial summary

MLA revenue and expenditure summary

	2012–13 $m	2013–14 $m	2014–15 $m	2015–16 $m	2016–17 $m	% change 2016–17 compared with 2015–16
Grassfed cattle levies	54.2	61.2	66.9	61.4	53.8	-12.4
Grainfed cattle levies	7.8	9.8	10.5	11.9	10.9	-8.4
Lamb/mutton levies	31.0	34.2	36.4	37.2	35.8	-3.8
Goat levies	0.8	0.8	0.9	0.8	0.7	-12.5
Producer levies	*93.8*	*106.0*	*114.7*	*111.4*	*101.2*	*-9.1*
Government contributions	39.2	46.7	46.5	44.0	52.1	18.4
Other	29.2	35.8	44.5	42.4	47.2	11.3
Total revenue	**162.2**	**188.5**	**205.7**	**197.8**	**200.5**	**1.4**
Marketing, market access and insights	86.2	85.2	86.6	84.4	88.9	5.3
Research and development	79.6	95.8	92.9	88.0	104.2	18.4
Total expenditure*	**165.8**	**181.0**	**179.5**	**172.4**	**193.0**	**11.9**

** Total includes $35.9 million invested via MLA Donor Company*

Revenue

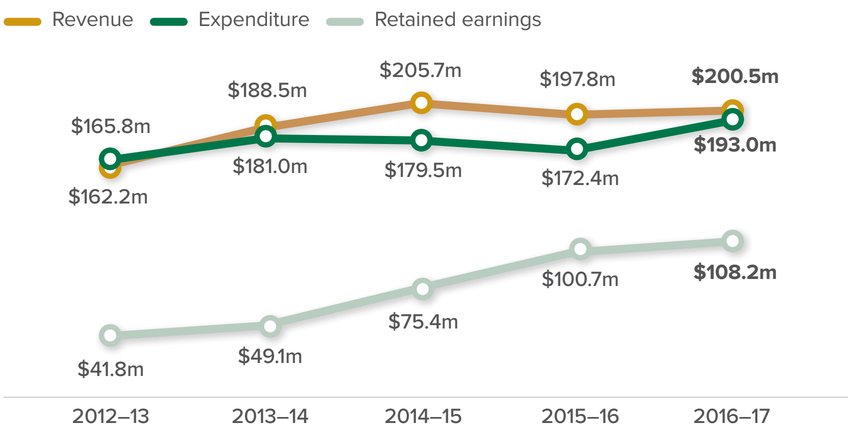
MLA's total income for 2016–17 was $200.5 million, 1.4% higher year-on-year and above expectations.

Levy income fell $10.2 million (9.1%) in 2016–17, with levies from all species lower than 2015–16 as tight supplies of both cattle and sheep reduced production. The decrease in levy income was more than offset by an increase in Government matching funds, commercial partner contributions via MLA Donor Company and interest income. Total revenue is forecast to increase in 2017–18, with MLA Donor Company continuing to attract greater funding.

Expenditure

MLA's total expenditure increased 11.9% in 2016–17 to $193.0 million. This included expenditure of $104.2 million in research and development and $88.9 million in marketing, market access and insights activities. The increase in investment reflects MLA's strategy to begin to gradually reduce excess accumulated reserves to the levels prescribed in MLA's Levy Reserve Policy. Actual expenditure was lower than budgeted, as MLA Donor Company undertook the year to build the foundations for a major transformation and growth strategy which aims to see its investments double on an annual basis. For these reasons, expenditure is forecast to increase again in 2017–18.

Revenue, expenditure and retained earnings



Retained earnings

MLA's surplus for the year was $7.5 million, taking the retained surplus at 30 June 2017 to $108.2 million. Retained earnings have been building over recent years due to abnormally high levels of levy income, with slaughter volumes soaring after the drought. The expectation is for levy income to begin to grow at a more subdued rate and for investment to gradually increase, which will reduce retained earnings in the coming years.

Retained earnings by funding source

	2016–17 $m
Grassfed cattle levies	49.8
Grainfed cattle levies	14.9
Lamb levies	37.4
Mutton levies	1.9
Goat levies	1.4
Integrity Systems Company	0.5
MLA Donor Company	2.2

Cash flow

MLA's cash balance increased primarily due to upfront partner contributions to MLA Donor Company programs and funds received in advance from the government for the Rural R&D for Profit program (see Appendix C). These funds will be expended in future periods. The debtor balances reduced significantly due to higher collections.

Income and expenditure by funding source 2016–17

Pillars and priorities	Goat		Mutton		Lamb		Total sheep		Grassfed cattle	
	R$ $000	M$ $000	R$ $000	M$ $000	R$ $000	M$ $000	R$ $000	M$ $000	R$ $000	M$ $000
Pillar 1: Consumer and community support										
Continuous improvement of the welfare of animals in our care	18	18	128	171	1,174	355	1,302	525	1,051	1,747
Stewardship of environmental resources	2	0	81	11	684	110	765	121	821	217
Role of red meat in a healthy diet					126	79	126	79	238	59
Pillar 2: Market growth and diversification										
Efficiency and value in trade and market access	(3)	2	13	106	187	639	200	745	297	1,073
Marketing and promoting Australian red meat and livestock	12	181	13	474	146	14,660	159	15,134	186	27,261
Pillar 3: Supply chain efficiency and integrity										
Optimising product quality and cost efficiency			109	246	1,099	797	1,209	1,043	2,205	1,644
Guaranteeing product quality and systems integrity	17	96	24	97	280	1,631	304	1,728	569	2,368
Pillar 4: Productivity and profitability										
Production efficiencies in farms and feedlots	292		493		3,374		3,867		4,640	
Processing productivity										
Live export productivity			4	35	17	32	21	67	15	266
Pillar 5: Leadership and collaborative culture										
Building leadership capability	10	2	22	13	755	981	777	994	687	1,020
Protecting and promoting our industry	1		2	1	15	42	16	44	32	159
Pillar 6: Stakeholder engagement										
Engagement with producers and stakeholders	7	2	29	21	216	913	245	933	306	2,916
AUS-MEAT		2		10		167		176		329
Total expenditure pre corporate services	**354**	**302**	**918**	**1,184**	**8,073**	**20,405**	**8,990**	**21,589**	**11,047**	**39,060**
Corporate services	38	11	86	44	682	740	768	784	829	1,463
Levy collection costs		3		12		206		218		404
Total expenditure	**392**	**316**	**1,004**	**1,240**	**8,755**	**21,351**	**9,759**	**22,591**	**11,876**	**40,927**
Income available:										
Levies	445	280	1,021	1,154	9,748	23,832	10,770	24,986	10,828	43,019
Government										
Processors										
Live export										
External										
Total actual income 2016–17	**445**	**280**	**1,021**	**1,154**	**9,748**	**23,832**	**10,770**	**24,986**	**10,828**	**43,019**
Surplus/(deficit)	**53**	**(36)**	**18**	**(86)**	**993**	**2,480**	**1,011**	**2,394**	**(1,048)**	**2,092**

** MDC contributions ($35.9 million) are included in these totals*

Grainfed cattle		Total cattle		Total levy funds		Processor*		LiveCorp		External*		MLA excl Govt.	Govt.	MLA
R$ $000	M$ $000	R$ $000	M$ $000	R$ $000	M$ $000	R$ $000	M$ $000	R$ $000	M$ $000	R$ $000	M$ $000	**$000**	R$ $000	**Total $000**
944	100	1,996	1,847	3,316	2,390	36	5	344	843	1,948	1,473	10,355	5,644	15,999
526	93	1,347	310	2,114	431	1,361	5	30		912	1,362	6,215	4,417	10,632
2	36	240	95	366	174	271	174					985	637	1,622
42	240	339	1,312	535	2,059	490	1,834	5	118		88	5,129	1,030	6,159
39	2,872	226	30,134	396	45,448	545	2,449			2,864	1,195	52,897	3,805	56,703
400	556	2,605	2,200	3,813	3,243	1,523				1,259	1,155	10,994	6,595	17,589
84	1,002	653	3,370	974	5,194	982	536	12	13	510	806	9,028	2,478	11,506
1,000		5,640		9,799		13				3,994	1,307	15,114	13,806	28,920
						2,540				1,410		3,950	3,950	7,899
		15	266	35	332			115	130		(1)	611	150	762
116	79	803	1,099	1,590	2,096	3,716				1,599	9	9,009	6,905	15,914
11	91	43	250	60	293	7	72				39	471	67	538
161	26	467	2,942	719	3,877					38	582	5,215	757	5,972
	42		371		550							550		550
3,326	**5,137**	**14,373**	**44,197**	**23,718**	**66,088**	**11,483**	**5,076**	**505**	**1,104**	**14,535**	**8,014**	**130,522**	**50,241**	**180,764**
205	186	1,034	1,649	1,839	2,444						5,453	9,736	1,839	11,576
	52		455		677							677		677
3,531	**5,374**	**15,406**	**46,301**	**25,557**	**69,208**	**11,483**	**5,076**	**505**	**1,104**	**14,535**	**13,467**	**140,935**	**52,081**	**193,016**
3,563	7,316	14,391	50,335	25,606	75,601							101,206		101,206
													52,081	52,081
						11,483	5,076					16,559		16,559
								505	1,104			1,609		1,609
										14,836	14,230	29,067		29,067
3,563	**7,316**	**14,391**	**50,335**	**25,606**	**75,601**	**11,483**	**5,076**	**505**	**1,104**	**14,836**	**14,230**	**148,441**	**52,081**	**200,522**
32	**1,941**	**(1,016)**	**4,034**	**48**	**6,392**					**301**	**763**	**7,505**		**7,505**

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 2017.

Directors

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

Directors retired during the year

Ms Lucinda Corrigan was the only director to retire during the year, in November 2016.

Company secretary

The company secretary during the year was Ms Clare Stanwix.

See pages 53–55 for names, qualifications, experience and special responsibilities of the directors, directors retired during the year and the company secretary.

Subsidiaries

MLA Donor Company Limited

At 30 June 2017, the members of the Board were Dr Michele Allan, Mr Richard Norton, Mr Alan Beckett, Mr Steven Chaur, Mr Robert Fitzpatrick, Ms Erin Gorter, Mr Geoffrey Maynard, Mr Chris Mirams, Mr George Scott and Mr Allister Watson.

Integrity Systems Company Limited

At 30 June 2017, the members of the Board were Dr Michele Allan, Mr Richard Norton, Mr Alan Beckett, Mr Steven Chaur, Mr Robert Fitzpatrick, Ms Erin Gorter, Mr Geoffrey Maynard, Mr Chris Mirams, Mr George Scott and Mr Allister Watson.

Directors' meetings

During the period 1 July 2016 to 30 June 2017, 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
M Allan	8 [8]	8 [8]		4 [4]
G Maynard	8 [8]	8 [8]		
L Corrigan	3 [3]	3 [3]	1 [1]	
G Scott	7 [8]	7 [8]		
R Norton	8 [8]	8 [8]	2 [4]	4 [4]
A Beckett	8 [8]	8 [8]	4 [4]	
C Mirams	8 [8]	8 [8]		2 [2]
E Gorter	8 [8]	8 [8]		4 [4]
R Fitzpatrick	8 [8]	8 [8]		
S Chaur	7 [8]	7 [8]	4 [4]	4 [4]
A Watson	5 [5]	5 [5]	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]
George Scott	2 [2]
Geoff Maynard	2 [2]
Peak Council representatives	
Tony Fitzgerald	2 [2]
Don Mackay	2 [2]
Jeffrey Murray	4 [4]
Howard Smith	4 [4]
MLA Member elected representatives	
Mick Hewitt	4 [4]
Ian McCamley	4 [4]
Jane Kellock	4 [4]
Therese Herbert	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 $7,505,000 (2016: net surplus of $25,371,000). The decrease in surplus compared to the prior year is partially attributable to lower levy income, with all species declining during the period due to supply constraints. Investment also increased during the year as part of a strategy to begin utilising excess accumulated levy reserves.

Group overview

The Group earned total revenue of $200,521,000 (2016: $197,812,000) which is comprised of the following:

- transaction levies $101,206,000 (2016: $111,383,000)
- research and development matching grants $52,081,000 (2016: $44,023,000)
- research and development contributions (unmatched) $5,535,000 (2016: $2,192,000)
- other income and revenues $41,699,000 (2016: $40,214,000).

Total income received/receivable was more than total expenditure, which resulted in a net surplus from continuing operations of $7,505,000 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, EY, 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 EY 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 2017 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 2017

Auditor’s Independence Declaration

to the Directors of Meat & Livestock Australia Limited

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

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

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

As lead auditor for the audit of Meat & Livestock Australia Limited for the financial year ended 30 June 2017, 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 2017

Income statement

Year ended 30 June 2017	Note	Consolidated 2017 $000	Consolidated 2016 $000
CONTINUING OPERATIONS			
REVENUES FROM CONTINUING OPERATIONS	3	200,521	197,295
EXPENDITURE FROM CONTINUING OPERATIONS			
Consumer and community support		28,253	22,401
Market growth and diversification		62,862	66,662
Supply chain efficiency and integrity		29,095	26,770
Productivity and profitability		37,581	31,072
Leadership and collaborative culture		16,452	7,797
Stakeholder engagement		5,972	4,474
AUS-MEAT		550	550
Corporate cost		12,251	12,198
Total expenditure		193,016	171,924
NET SURPLUS FROM CONTINUING OPERATIONS		7,505	25,371
TOTAL CHANGE IN MEMBERS' FUNDS		7,505	25,371

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

Statement of comprehensive income

Year ended 30 June 2017	Consolidated 2017 $000	Consolidated 2016 $000
NET SURPLUS FROM CONTINUING OPERATIONS	7,505	25,371
OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to the 'Income statement'		
Cash flow hedges:		
Gain/(loss) taken to equity	(420)	(210)
Transferred to 'Statement of financial position'	210	(68)
Other comprehensive income/(expense) for the year	(210)	(278)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	7,295	25,093

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

Statement of financial position

Year ended 30 June 2017	Note	Consolidated 2017 $000	2016 $000
CURRENT ASSETS			
Cash and cash equivalents	24	149,839	123,265
Trade and other receivables	7	34,849	38,237
Prepayments and deposits	8	1,788	1,684
TOTAL CURRENT ASSETS		186,476	163,186
NON-CURRENT ASSETS			
Property, plant and equipment	12	3,573	4,297
Intangible assets	13	2,294	1,623
Other financial assets	14	2,405	3,112
TOTAL NON-CURRENT ASSETS		8,272	9,032
TOTAL ASSETS		194,748	172,218
CURRENT LIABILITIES			
Trade and other payables	15	35,976	33,822
Provisions	16	1,823	1,670
Other liabilities	17	35,770	22,721
TOTAL CURRENT LIABILITIES		73,569	58,213
NON-CURRENT LIABILITIES			
Other payables	18	2,702	3,017
Provisions	19	1,634	1,440
TOTAL NON-CURRENT LIABILITIES		4,336	4,457
TOTAL LIABILITIES		77,905	62,670
NET ASSETS		116,843	109,548
EQUITY – MEMBERS' FUNDS			
Contributed equity	27	9,031	9,031
Retained surplus		108,232	100,727
Cash flow hedge reserve	20	(420)	(210)
TOTAL EQUITY – MEMBERS' FUNDS		116,843	109,548

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

Statement of changes in equity

Year ended 30 June 2017	Contributed equity $000	Consolidated Retained earnings $000	Cash flow hedge reserve $000	Total $000
At 1 July 2015	9,031	75,356	68	84,455
Surplus for the year	–	25,371		25,371
Other comprehensive loss	–	–	(278)	(278)
Total comprehensive (loss)/income	–	25,371	(278)	25,093
At 30 June 2016	9,031	100,727	(210)	109,548
Surplus for the year	–	7,505		7,505
Other comprehensive loss	–	–	(210)	(210)
Total comprehensive (loss)/income	–	7,505	(210)	7,295
At 30 June 2017	9,031	108,232	(420)	116,843

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

Statement of cash flows

Year ended 30 June 2017	Note	Consolidated 2017 $000	2016 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies collected		113,112	122,175
Research and development matching grants		54,510	50,075
Receipts from processors and live exporters		19,791	10,752
Other receipts		33,644	27,054
Payments to suppliers and employees		(195,329)	(179,197)
NET CASH FLOWS FROM OPERATING ACTIVITIES	24(b)	25,728	30,859
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		312	24
Purchase of property, plant and equipment		(632)	(705)
Purchase of software	13	(1,399)	(971)
Interest received		2,565	3,085
NET CASH FLOWS FROM INVESTING ACTIVITIES		846	1,433
NET INCREASE IN CASH HELD		26,574	32,292
Add opening cash brought forward		123,265	90,973
CLOSING CASH CARRIED FORWARD	24(a)	149,839	123,265

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 2017 was authorised for issue in accordance with a resolution of the directors on 14 September 2017.

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 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

- **AASB 9 Financial Instruments**

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

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

- **AASB Interpretation 22**

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

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

- **AASB 16 Leases**

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

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

- **AASB 1058 and AASB 2016-8 Income of Not-for-Profit Entities**

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

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

(c) Principles of consolidation

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

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

(d) Cash and cash equivalents

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

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

(e) Trade and other receivables

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

(f) Taxes

Income tax

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

Goods and Services Tax (GST)

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

- GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable
- receivables and payables (except accrued income and expenditure) are stated with the amount of GST included.

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

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

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

(g) Revenue recognition

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

- Transaction levies – revenue is recognised in the period to which it relates based on confirmations received from the Levies and Revenue Service who collect and distribute levies to the Company.
- Research and development Commonwealth matching payments – revenue is recognised for the matching funding from the Australian Government to the extent that the entity obtains control of the funding, it is probable that the economic benefits comprising the funding will flow to the entity and the funding can be measured reliably. These conditions are considered to be met when approved eligible research and development expenditure has been incurred. Accrued matching payments represent unclaimed funding for the amount incurred on research and development.
- Research and development contributions (unmatched) – the company receives funding from various external parties (including the Department of Agriculture and Water Resources and the Australian Government) to conduct collaborative research and development programs. Revenue is recognised when the company obtains control of the contribution or the right to receive the contribution based on conditions around expenditure incurred.
- Research and development 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 ten years and five month 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 that are neither subsidiaries nor joint ventures.

Under the equity method, investments in the associates 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 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 10.

(s) Leasehold make good provision

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

(t) Current versus non-current classification

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

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

	Notes	Consolidated 2017 $000	Consolidated 2016 $000
3. REVENUE FROM CONTINUING OPERATIONS			
Revenues from operating activities			
Transaction levies	4	101,206	111,383
R&D Commonwealth matching payments		52,081	44,023
R&D contributions (unmatched)		5,535	2,192
Other income	5	38,633	36,599
Total revenues from operating activities		197,455	194,197
Revenues from non-operating activities			
Bank interest		3,066	3,098
Total revenues from non-operating activities		3,066	3,098
Total revenues from continuing operations		200,521	197,295
4. TRANSACTION LEVIES			
Transaction levies:			
– grainfed cattle		10,878	11,947
– grassfed cattle		53,847	61,433
– lambs		33,580	34,718
– sheep		2,176	2,490
– goats		725	795
Total transaction levies		101,206	111,383
5. OTHER INCOME			
Processor contributions		13,056	12,029
Live exporter contributions		1,609	2,090
Co-operative funding		1,096	1,414
R&D partnership income		18,247	16,404
Sale of products or services		3,241	1,681
Other		1,384	2,981
Total other income		38,633	36,599

	Consolidated	
	2017 $000	2016 $000

6. EXPENSES AND LOSSES

	2017 $000	2016 $000
Depreciation and amortisation of non-current assets included in the 'Income statement':		
Leasehold improvements	554	739
Plant and equipment	527	960
Furniture and fittings	28	20
Amortisation of intangible assets	728	734
Total depreciation and amortisation of non-current assets	1,837	2,453
(Gain)/loss on sale of assets	(30)	(3)
Operating lease rentals included in the 'Income statement'	3,709	3,750
Employee benefit expense:		
Wages and salaries	27,067	25,869
Worker's compensation costs	128	152
Annual leave provision	1,776	1,707
Long service leave provision	597	504
Superannuation expense	2,233	2,104
Other post-employment benefits	63	88
Total employee benefit expense	31,864	30,424

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	2017 $000	2016 $000
Trade receivables	6,379	10,289
Allowance for impairment of receivables (a)	–	–
Trade receivables, net	6,379	10,289
Accrued revenue		
– levies	6,563	8,348
– R&D Commonwealth matching payments	19,050	17,143
– other	2,694	2,343
Total accrued revenue	28,307	27,834
Other receivables	163	114
Total current receivables, net	34,849	38,237

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 2017	6,379	6,119	256	4	–	–	–
30 June 2016	10,289	10,197	64	10	1	3	14

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

(a) Allowance for impairment of receivables

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

Receivables past due but not impaired are: $260,000 (2016: $92,000). Each business unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected these balances will be received when due.

(b) Interest rate risk

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

(c) Security

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

(d) Credit risk

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

	Consolidated	
	2017 $000	2016 $000
8. PREPAYMENTS AND DEPOSITS		
Prepayments	1,283	1,107
Deposits	505	577
Total prepayments and deposits	1,788	1,684
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 2017 was $550,000 (2016: $550,000).

	AUS-MEAT Limited	
Summary results of the associate entity	2017 $000	2016 $000
Revenue	15,983	14,262
Accumulated surplus at beginning of the year	4,338	4,028
Net surplus for the year	294	310
Accumulated surplus at end of the year	4,632	4,338
Financial summary of associated entity		
Total current assets	9,850	10,431
Total non-current assets	3,302	3,312
Total current liabilities	3,466	4,375
Total non-current liabilities	204	180
Net assets	9,482	9,188

The investment in AUS-MEAT Limited has been taken up at nil value (2016: $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	
	2017	2016	2017	2016
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 (formery 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	2017 $000	2016 $000
Current assets	173,464	159,546
Total assets	181,700	168,498
Current liabilities	62,256	55,902
Total liabilities	66,454	60,247
Contributed equity	9,031	9,031
Reserves	(420)	(210)
Total equity – members' funds	106,635	99,431
Surplus for the year	7,505	25,371
Other comprehensive income/(expense) for the year	(210)	(278)

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	
	2017 $000	2016 $000

12. PROPERTY, PLANT AND EQUIPMENT

	2017 $000	2016 $000
Plant and equipment		
At cost	6,195	5,853
Accumulated depreciation	(5,369)	(4,960)
Total plant and equipment	826	893
Furniture and fittings		
At cost	361	351
Accumulated depreciation	(287)	(260)
Total furniture and fittings	74	91
Leasehold improvements		
At cost	5,761	5,899
Accumulated depreciation	(3,088)	(2,586)
Total leasehold improvements	2,673	3,313
TOTAL PROPERTY, PLANT AND EQUIPMENT		
Cost	12,317	12,103
Accumulated depreciation	(8,744)	(7,806)
Total written down value	3,573	4,297

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

	2017 $000	2016 $000
Plant and equipment		
Carrying amount at beginning	893	1,528
Additions	499	346
Disposals	(39)	(21)
Depreciation expense	(527)	(960)
	826	893
Furniture and fittings		
Carrying amount at beginning	91	47
Additions	11	64
Disposals	–	–
Depreciation expense	(28)	(20)
	74	91
Leasehold improvements		
Carrying amount at beginning	3,313	3,757
Additions	123	514
Disposals	(209)	(219)
Depreciation expense	(554)	(739)
	2,673	3,313

	Consolidated 2017 $000	Consolidated 2016 $000
13. INTANGIBLE ASSETS		
Software		
At cost	8,717	7,318
Accumulated amortisation	(6,423)	(5,695)
Total software	2,294	1,623
Reconciliation		
Carrying amount at beginning	1,623	1,399
Additions	1,399	971
Amortisation expense	(728)	(747)
	2,294	1,623
14. OTHER FINANCIAL ASSETS		
Other financial assets consist of restricted cash which relates to cash held as rental bonds in bank account which is pledged as collateral to landlords for risks retained by the group.		
Total other financial assets	2,405	3,112
	2,405	3,112
15. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables (a)	14,167	15,406
Accrued R&D and other creditors (a)	18,479	15,492
Rent-free period (refer note 2(q))	507	489
Derivative financial instruments (b)	420	210
Employee entitlements:		
– annual leave	2,075	1,887
– other	328	338
Total current trade and other payables	35,976	33,822

(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.

	Consolidated 2017 $000	Consolidated 2016 $000
16. PROVISIONS (CURRENT)		
Long service leave	1,808	1,658
Leasehold make good	15	12
Total current other liabilities	1,823	1,670

	Long service leave $000	Leasehold make good $000	Total $000
Carrying amount at the beginning of the financial year	1,658	12	1,670
Additional provisions	107	–	107
Utilised	(163)	–	(163)
Amounts transferred from/(to) non-current during the year	206	3	209
Carrying amount at the end of the financial year	1,808	15	1,823

	Consolidated 2017 $000	Consolidated 2016 $000
17. OTHER LIABILITIES (CURRENT)		
Unearned income	34,437	21,165
Other	1,333	1,556
Total current other liabilities	35,770	22,721
18. OTHER PAYABLES (NON-CURRENT)		
Fit-out contribution and Rent-free period (refer note 2q)	2,702	3,017
Total non-current other payables	2,702	3,017
19. PROVISIONS (NON-CURRENT)		
Long service leave	1,013	788
Leasehold make good	621	652
Total non-current provisions	1,634	1,440

Movements in provisions:	Consolidated Leasehold make good $000	Consolidated Total $000
Carrying amount at the beginning of the financial year	652	1,440
Additional provisions	(28)	403
Amounts transferred (from)/to current during the year	(3)	(209)
Carrying amount at the end of the financial year	621	1,634

20. CASH FLOW HEDGE RESERVE	Consolidated 2017 $000	Consolidated 2016 $000
At the beginning of the financial year	(210)	68
Net surplus/(loss) on cash flow hedges	(420)	(210)
Transfer of cash flow hedge reserve to 'Statement of comprehensive income'	210	(68)
Total cash flow hedge reserve (a)	(420)	(210)

(a) The full amount of hedged cash flows as at 30 June 2017 are expected to affect the 'Statement of comprehensive income' within one year.

As at 30 June 2017, the Company did not have any portion of cash flow hedges deemed ineffective.

21. EMPLOYEE ENTITLEMENTS

	2017	2016
The aggregate employee benefit liability is comprised of:		
Provisions – current (refer note 16)	1,808	1,658
Provisions – non-current (refer note 19)	1,013	788
Payables – current (refer note 15)	2,403	2,225
	5,224	4,671

	Consolidated	
	2017 $	2016 $

22. REMUNERATION OF AUDITORS

Amounts received or due and receivable by EY for:		
• auditing or reviewing of the financial report of the entity and any other entity in the consolidated entity	178,396	169,950
• other services in relation to the entity and any other entity in the consolidated entity:		
– tax compliance	9,375	8,800
– other non-audit services	84,500	97,267
	272,271	276,017

23. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of key management personnel (KMP)

(i) Directors

Michele Allan	Chair
Richard Norton	Managing Director
Alan Beckett	
Steven Chaur	
Robert Fitzpatrick	
Erin Gorter	
Geoffrey Maynard	
Chris Mirams	
George Scott	
Allister Watson	(appointed 10 November 2016)
Lucinda Corrigan	(resigned 9 November 2016)

(ii) Executives

Clare Stanwix	General Counsel and Company Secretary
Christine Pitt	Chief Executive Officer – MLA Donor Company
Jane Weatherley	Chief Executive Officer – Integrity Systems Company
Lisa Sharp	Chief Marketing and Communications Officer – Communications, Marketing and Industry Insights
Michael Finucan	General Manager – International Markets
Michael Crowley	General Manager – Producer Consultation and Adoption (appointed September 2016)
Sean Starling	General Manager – Value Chain Innovation
Andrew Ferguson	Chief Financial Officer
Rachel Cofrancesco	Head of Human Resources (Ms Cofrancesco transferred to MLA Donor Company as its Chief Operating Officer in July 2017)
Matthew McDonagh	General Manager – On-Farm Innovation and Adoption (resigned October 2016)

	Notes	Consolidated 2017 $	2016 $
23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)			
Directors (a)			
Short-term benefits		1,275,001	1,113,625
Post-employment benefits		72,392	76,655
Other long-term benefits		14,813	2,598
	(a)	1,362,206	1,192,878
Executives (b)			
Short-term benefits		3,274,830	3,144,917
Post-employment benefits		184,886	197,275
Other long-term benefits		74,526	34,784
	(b)	3,534,242	3,376,976

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

(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 $nil (2016: $72,270) for a program demonstrating the influence of diet on the sex ratio of lambs.
- Ms Lucinda Corrigan is an Advisory Board member of the Hawkesbury Institute for the Environment – University of Western Sydney which invoiced the Company $271,370 (2016: $nil) for the Sustainable Pasture System program. The Company invoiced Hawkesbury Institute for the Environment $167,159 (2016: $nil) for the same project. Ms Corrigan is a member of Angus Australia which invoiced the Company $1,712,799 (2016: $5,500) for an Angus Australia progeny test and information nucleus, and development and extension of a comprehensive BREEDPLAN 'proof of concept' package using research and industry data. The Company invoiced Angus Australia $1,121,424 (2016: $177,477) for the same project.
- Mr Alan Beckett is a member of Angus Australia which invoiced the Company $1,712,799 (2016: $5,500) for the Angus Australia progeny test and information nucleus, and development and extension of a comprehensive BREEDPLAN 'proof of concept' package using research and industry data. The Company invoiced Angus Australia $1,121,424 (2016: $177,477) for the same project. Mr Beckett resigned as a member on 23 May 2017.
- Mr Geoffrey Maynard is a member of AgForce Queensland which invoiced the Company $27,497 (2016: $nil) for development of a lay spaying training program and the Food, Fibre and Agricultural Educators Conference .
- Mr Steven Chaur was Managing Director of Patties Foods Ltd. The Company invoiced Patties Foods Ltd $89,438 (2016: $nil) for a Young Food Innovator trainee (as part of the R&D for Profit Insights2Innovation and Emerging Leaders Program).
- Mr Allister Watson is a Consultant of Harvey Beef which invoiced the Company $266,195 (2016: $44,000) for marketing promotions, Harvey Beef supplier portal development and the Young Food Innovators program. The Company invoiced Harvey Beef $67,763 (2016: $53,469) for various projects including an MSA licensing fee; the Emerging Leaders program; and labelling and remarking and trade facilitation at SIAL, China.
- Mr George Scott is a member of Northern Territory Cattlemen's Association which invoiced the Company $18,527 (2016: $20,862) for 2017 Northern Territory Cattlemen's Association's industry conference. Mr Scott is a member of AgForce Queensland which invoiced the Company $27,497 (2016: $31,929) for development of lay spaying training program and Food, Fibre and Agricultural Educators Conference. Mr Scott received director's fees, including superannuation, totalling $17,520 (2016: $17,520) from AUS-MEAT Limited.
- Ms Erin Gorter is a Partner of the Gorter Family Trust, trading as Erin Gorter Enterprises, which invoiced the Company $124,484 (2016: $90,549) for professional fees and reimbursement of associated expenses as WA Meat Research Council (WAMRC) Coordinator and WA Livestock Research Council (WALRC) Coordinator. Ms Gorter is a member of Evergreen Farming which invoiced the Company $49,500 (2016: $nil) for Pasture Updates in Western Australia in 2016–2018.

23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

- Dr Michele Allan is Chancellor of Charles Sturt University which invoiced the Company $644,169 (2016: $386,830) for various research and development projects including herbicide resistance option program, review of food safety and market access risks and development of mixed farming systems. The Company invoiced Charles Sturt University $103,044 (2016: $nil) for the R&D for Profit program relating to improved surveillance, preparedness and return to trade for emergency animal disease incursions. Dr Allan is Director of CSIRO which invoiced the company $4,975,463 (2016: $4,153,311) for various research and development projects. Dr Allan is Director of Food Innovation Australia which invoiced the Company $227,979 (2016: $153,348) for development of meat-based retail-ready chilled toddler food. The Company invoiced Food Innovation Australia $102,729 (2016: $52,311) for the same project. Dr Allan is Director of Nuffield Australia which invoiced the company $57,200 (2016: $nil) for scholarships.

24. NOTES TO THE STATEMENT OF CASH FLOWS

	Consolidated	
	2017 $000	2016 $000
(a) Reconciliation of cash		
Cash on hand	58,839	34,664
Integrity Systems Company funds held on behalf of Commonwealth for Integrity Systems Company implementation activities		
Short-term money market deposits	91,000	88,500
Closing cash balance	149,839	123,265
b) Reconciliation of net cash from operating activities to net surplus		
Net surplus	7,505	25,371
Adjustments for:		
Net gain on disposal of property, plant and equipment	(30)	(3)
Depreciation expense	1,110	1,719
Amortisation expense	693	747
Interest received	(2,565)	(3,085)
Change in assets and liabilities:		
Decrease/(increase) in assets:		
Decrease/(increase) in trade and other receivables	5,388	(4,137)
Increase in prepayments and deposits	(104)	(405)
Decrease in other financial assets	707	1,131
Increase/(decrease) in liabilities:		
Increase/(decrease) in trade and other payables	(162)	(3,299)
Increase in other liabilities	13,049	12,928
Increase/(decrease) in provisions	137	(108)
Net cash from operating activities	25,728	30,859

	Consolidated 2017 $000	Consolidated 2016 $000
25. EXPENDITURE COMMITMENTS		
Expenditure (primarily research and development) contracted for is payable as follows:		
– Not later than one year	80,214	76,006
– Later than one year but not later than five years	66,212	31,795
– Later than five years	–	–
Aggregate R&D expenditure contracted for at balance date	146,426	107,801
Operating lease expenditure contracted for is payable as follows:		
– Not later than one year	4,440	4,499
– Later than one year but not later than five years	8,862	8,601
– Later than five years	2,734	4,415
Aggregate lease expenditure contracted for at balance date (a)	16,036	17,515

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

26. MEMBERS' FUNDS

The Company is incorporated in Australia and is a company limited by guarantee. If the Company is wound up, its Constitution states that each member is required to contribute a maximum of $5 each towards meeting any outstanding obligations of the Company. At 30 June 2017 the number of members was 49,726 (2016: 49,892).

27. CONTRIBUTED EQUITY

	Consolidated 2017 $000	Consolidated 2016 $000
Capital contribution	9,031	9,031

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

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

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

Risk exposures and responses

(i) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and short-term deposit holding with a floating interest rate. Cash at bank earns interest at floating rates based on daily bank deposit rates. On call deposits are made for varying periods of between one day and 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 2.9% at 30 June 2017. Some of these assets are held in foreign currency accounts.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sensitivity analysis:

At 30 June 2017, 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	
	2017 $000	2016 $000
+1.00% (2016: +1.00%)	1,477	1,288
-0.50% (2016: -0.50%)	(738)	(614)

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 2017, 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 2017.

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.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Non-derivative financial liabilities

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

	Consolidated	
	Less than 6 months $000	6 to 12 Months $000
Financial liabilities		
Trade and other payables	29,990	–

(v) Fair value

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

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

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

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

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

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

	Consolidated Year ended 30 June 2017	
	Market observable inputs (level 2) $000	Total $000
Financial assets		
Derivative instruments	(447)	(447)
Forward currency contracts	(447)	(447)

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 2017, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by $446,956 (30 June 2016: $452,728) and derivative liabilities are reduced by $446,956 (30 June 2016: $452,728).

29. LEGAL CLAIM CONTINGENCY

On 27 June 2016, MLA lodged an appeal in the Federal Court of Australia against Cargill Inc. and Branhaven, LLC. in relation to the prior dismissal of MLA's opposition to the grant of Australian patent 2010102253 'Cattle Selection Methods Patent'. The hearing of the appeal concluded on 7 June 2017. MLA is currently awaiting judgement.

In the event that the appeal is unsuccessful, it is likely that MLA would be required, in accordance with the court's scale, to meet a portion of the legal costs of Cargill Inc and Branhaven. MLA has been advised by its legal counsel that it is possible, but not probable, and accordingly no provision for such a liability has been made in these financial statements.

30. FINANCING ARRANGEMENTS

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

- A $500,000 (2016: $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 (2016: $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.

31. TRANSFER OF LIVESTOCK PRODUCTION ASSURANCE (LPA) PROGRAM FROM AUS-MEAT

During the financial year, the Livestock Production Assurance (LPA) program was transferred from AUS-MEAT. This is in accordance with the guidelines distributed by the SAFEMEAT Initiatives Review Steering Group in 2015.

The LPA program is the Australian livestock industry's on farm assurance program covering food safety, animal welfare and biosecurity. It meets the stringent requirements of the Australian red meat industry's domestic and export markets, providing an assurance to customers of the production practices and safety of red meat grown on Australian farms.

On 5 April 2017, the Integrity Systems Company became the owner and administrator of the LPA program on behalf of the industry.

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 2017 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

M Allan

Dr Michele Allan
Director

Richard Norton
Director

Sydney
14 September 2017

Independent auditor's report

to the members of Meat & Livestock Australia Limited

Building a better working world

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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 2017, 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 2017 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Building a better working world

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Ernst & Young

Ernst & Young

Rob Lewis

Rob Lewis
Partner

Sydney
14 September 2017