Financial Report
for the year ended 30 June 2015

Chef Conor Hanlon was one of a group of US chefs to travel to Australia on an MLA-sponsored sustainability-themed tour to learn about the Australian cattle and sheep industry's supply chain practices and quality programs.

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 2015.

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 John McKillop, Mr George Scott, Mr Peter Trefort, Mr Chris Mirams and Mr Alan Beckett.

DIRECTORS RETIRED OR RESIGNED DURING THE YEAR

Directors retiring or resigning during the year were Ms Christine Gilbertson (resigned on 18 July 2014), Dr Gregory Harper (resigned on 11 February 2015) and Mr Rodney Watt (retired in November 2014).

COMPANY SECRETARY

The company secretary during the year was Clare Stanwix.

See pages 78-80 for names, qualifications, experience and special responsibilities of the directors, directors retired or resigned 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 2015 the members of the board were Mr Richard Norton, Mr Geoffrey Maynard and Ms Lucinda Corrigan. Ms Christine Gilbertson resigned as a director during the year, with effect from July 2014.

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 2015, the members of the board were Mr John Wyld, Mr Ian Feldtmann, Mr Peter Milne and Mr Richard Norton. Mr Stephen Kelly resigned as a director during the year, with effect from February 2015.

DIRECTORS' MEETINGS

During the period 1 July 2014 to 30 June 2015 the MLA Board held nine 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
G Harper	6 [6]	6 [6]	2 [2]	
M Allan	9 [9]	9 [9]		3 [3]
G Maynard	8 [9]	8 [9]		
L Corrigan	8 [9]	8 [9]	5 [5]	
P Trefort	9 [9]	9 [9]		3 [3]
R Watt	4 [4]	4 [4]		1 [1]
J McKillop	9 [9]	9 [9]	5 [5]	2 [2]
C Gilbertson	0 [0]	0 [0]	0 [0]	0 [0]
G Scott	7 [9]	7 [9]		
R Norton	9 [9]	9 [9]		
A Beckett	5 [5]	5 [5]	3 [3]	
C Mirams	4 [5]	4 [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 four meetings. The current members of the Selection Committee and their attendance at meetings are listed below. The number of meetings for which the selection committee member was eligible to attend is shown in brackets.

MLA Directors	
Michele Allan (Chair)	4 [4]
Peter Trefort	2 [2]
Chris Mirams	2 [2]
Greg Harper	2 [2]
Peak Council representatives	
Andrew Ogilvie	2 [2]
Ian McColl	2 [2]
Don Mackay	4 [4]
Jeffrey Murray	2 [2]
Howard Smith	2 [2]
MLA Member elected representatives	
Warren Barnett	2 [2]
Ben Hooper	2 [2]
Ian McCamley	4 [4]
Jane Kellock	2 [2]
Therese Herbert	2 [2]

PRINCIPAL ACTIVITIES

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

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

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

REVIEW AND RESULTS OF OPERATIONS

Operating result for the period

The result of the Group for the financial year was a net surplus from continuing operations of $26,178,000 (2014: net surplus of $7,428,000). This compared to a budgeted deficit of $5,172,000 and was primarily attributed to larger than expected transaction levy income resulting from the high level of turnoff due to the continuing drought conditions.

Group overview

The Group earned total revenue of $205,735,000 (2014: $188,541,000) which is comprised of the following:

- Transaction levies $114,767,000 (2014: $106,000,000)
- Research and development matching grants $46,475,000 (2014: $46,704,000)
- Research and development contributions (unmatched) $238,000 (2014: $2,374,000)
- Other income and revenues $44,255,000 (2014: $33,463,000)

Total income received/receivable was more than total expenditure, which resulted in a net surplus from continuing operations of $26,178,000 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 2015 has been received and can be found following this report.

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

Dr Michele Allan
Director

Richard Norton
Director

Sydney
17 September 2015

Building a better working world

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

In relation to our audit of the financial report of Meat & Livestock Australia Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Rob Lewis

Rob Lewis
Partner
Sydney
17 September 2015

Income Statement

Year ended 30 June 2015	Note	Consolidated 2015 $000	Consolidated 2014 $000
CONTINUING OPERATIONS			
REVENUES FROM CONTINUING OPERATIONS	3	**205,735**	188,541
EXPENDITURE FROM CONTINUING OPERATIONS			
Improving market access		**25,832**	23,990
Growing demand		**57,047**	61,551
Increasing productivity		**36,219**	39,068
Promoting integrity and sustainability		**15,826**	16,928
Communicating with stakeholders		**1,376**	1,602
Other		**550**	550
R&D partnerships		**30,000**	25,966
Corporate costs		**12,707**	11,458
Total expenditure		**179,557**	181,113
NET SURPLUS FROM CONTINUING OPERATIONS		**26,178**	7,428
TOTAL CHANGE IN MEMBERS' FUNDS		**26,178**	7,428

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

Statement of Comprehensive Income

Year ended 30 June 2015	Consolidated 2015 $000	Consolidated 2014 $000
NET SURPLUS FROM CONTINUING OPERATIONS	**26,178**	7,428
OTHER COMPREHENSIVE INCOME/(EXPENSES) FOR THE YEAR		
Items that may be subsequently reclassified to the *Income Statement*		
Cash flow hedges:		
Gain/(Loss) taken to equity	**68**	(216)
Transferred to *Statement of Financial Position*	**216**	(278)
Other comprehensive income/(expenses) for the year	**284**	(494)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**26,462**	6,934

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

Statement of Financial Position

As at 30 June 2015	Notes	Consolidated 2015 $000	Consolidated 2014 $000
CURRENT ASSETS			
Cash and cash equivalents	25	**90,973**	62,585
Trade and other receivables	7	**34,100**	28,706
Prepayments and deposits	8	**1,279**	1,070
TOTAL CURRENT ASSETS		**126,352**	92,361
NON-CURRENT ASSETS			
Property, plant and equipment	12	**5,332**	6,678
Intangible assets	13	**1,399**	1,656
Other financial assets	14	**4,243**	5,274
TOTAL NON-CURRENT ASSETS		**10,974**	13,608
TOTAL ASSETS		**137,326**	105,969
CURRENT LIABILITIES			
Trade and other payables	15	**36,844**	34,100
Provisions	16	**1,788**	2,235
Other liabilities	17	**9,793**	6,328
TOTAL CURRENT LIABILITIES		**48,425**	42,663
NON-CURRENT LIABILITIES			
Other payables	18	**3,294**	3,535
Provisions	19	**1,152**	1,778
TOTAL NON-CURRENT LIABILITIES		**4,446**	5,313
TOTAL LIABILITIES		**52,871**	47,976
NET ASSETS		**84,455**	57,993
EQUITY – MEMBERS' FUNDS			
Contributed equity	28	**9,031**	9,031
Retained surplus		**75,356**	49,178
Cash flow hedge reserve	20	**68**	(216)
TOTAL EQUITY – MEMBERS' FUNDS		**84,455**	57,993

The accompanying notes form an integral part of this *Statement of Financial Position*.

Statement of Changes in Equity

Year ended 30 June 2015	Consolidated			
	Contributed equity $000	Retained earnings $000	Cash flow hedge reserve $000	Total $000
At 1 July 2013	9,031	41,750	278	51,059
Deficit for the year	–	7,428	–	7,428
Other comprehensive income	–	–	(494)	(494)
Total comprehensive (loss)/income	–	7,428	(494)	6,934
At 30 June 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**

The accompanying notes form an integral part of this *Statement of Changes in Equity*.

Statement of Cash Flows

Year ended 30 June 2015	Notes	Consolidated 2015 $000	Consolidated 2014 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Levies collected		**125,880**	115,630
Research and development matching grants		**48,588**	48,291
Receipts from processors and live exporters		**19,370**	12,957
Other receipts		**24,550**	23,753
Payments to suppliers and employees		**(191,526)**	(193,395)
NET CASH FLOWS FROM OPERATING ACTIVITIES	25(b)	**26,862**	7,236
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**–**	53
Purchase of property, plant and equipment		**(522)**	(6,451)
Purchase of software		**(271)**	(352)
Interest received		**2,319**	1,556
NET CASH FLOWS FROM INVESTING ACTIVITIES		**1,526**	(5,194)
NET INCREASE IN CASH HELD		**28,388**	2,042
Add opening cash brought forward		**62,585**	60,543
CLOSING CASH CARRIED FORWARD	25(a)	**90,973**	62,585

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 2015 was authorised for issue in accordance with a resolution of the directors on 17 September 2015.

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.

Any new, revised or amending Accounting Standards and Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations, as listed below, did not have any significant impact on the financial performance or position of the company.

- AASB 2012-3
  Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3
  Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4
  Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]
- AASB 2013-4
  Amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations
- AASB 2013-5
  Amendments to Australian Accounting Standards – Investment Entities
- AASB 2014-1
  Amendments to Australian Accounting Standards (Parts A – C); and
- Interpretation 21
  Levies

The adoption of these standards does not have a material impact on the Group.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not effective have not been adopted by the Group for the annual reporting period ending 30 June 2015 and the directors having considered the changes to the accounting standards and other than potential disclosure adjustments, do not believe there will be a material impact to the financial statements.

(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 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.

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liabilities are settled.

All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels, experience of employee and period of service. The corporate bond rates are used in determining the present value of the 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 months lease term. The Company's Brisbane office moved to new premises during 2010 with a rent free period. The benefit of the rent free period is being amortised on a straight-line basis over the 60 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 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

		Consolidated	
	Notes	2015 $000	2014 $000
Revenues from operating activities			
Transaction levies	4	**114,767**	106,000
R&D Commonwealth matching payments		**46,475**	46,704
R&D contributions (unmatched)		**238**	2,374
Other income	5	**41,674**	31,349
Total revenues from operating activities		**203,154**	186,427
Revenues from non-operating activities			
Bank interest		**2,581**	2,072
Net gain on disposal of property, plant and equipment		**–**	42
Total revenues from non-operating activities		**2,581**	2,114
Total revenues from continuing operations		**205,735**	188,541

		Consolidated	
		2015 $000	2014 $000

4. TRANSACTION LEVIES

Transaction levies:			
– Grainfed cattle		**10,510**	9,818
– Grassfed cattle		**66,938**	61,185
– Lambs		**33,683**	31,223
– Sheep		**2,720**	2,944
– Goats		**916**	830
Total transaction levies		**114,767**	106,000

5. OTHER INCOME

Processor contributions		**12,325**	10,759
Live exporter contributions		**2,416**	1,184
Co-operative funding		**2,855**	2,885
R&D partnership income		**15,000**	12,983
Sale of products or services		**1,595**	1,911
Other	(a)	**7,483**	1,627
Total other income		**41,674**	31,349

(a) Other income includes payroll tax refund of $5,608,638 resulting from exemption granted for payment of payroll tax in NSW, VIC and SA.

6. EXPENSES AND LOSSES

Depreciation and amortisation of non-current assets included in the *Income statement*:			
Leasehold improvements		**785**	786
Plant and equipment		**1,009**	959
Furniture and fittings		**28**	38
Amortisation of intangible assets		**528**	452
Total depreciation and amortisation of non-current assets		**2,350**	2,235
(Gain)/loss on sale of assets		**26**	(42)
Operating lease rentals included in the *Income Statement*		**3,442**	3,808
Employee benefit expense:			
Wages and salaries		**26,588**	25,917
Workers compensation costs		**114**	123
Annual leave provision		**1,547**	1,768
Long service leave provision		**237**	347
Superannuation expense		**2,090**	2,112
Other post employment benefits		**40**	56
Total employee benefit expense		**30,616**	30,323

	Consolidated	
	2015 $000	2014 $000

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	2015 $000	2014 $000
Trade receivables	**5,178**	4,045
Allowance for impairment of receivables (a)	**–**	–
Trade receivables, net	**5,178**	4,045
Accrued revenue		
– Levies	**8,002**	7,638
– R&D Commonwealth matching payments	**18,714**	14,679
– Other	**2,090**	2,198
Total accrued revenue	**28,806**	24,515
Other receivables	**116**	146
Total current receivables, net	**34,100**	28,706

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 $000	31–60 days $000	61–90 days $000	91–120 days $000	>120 days $000
Trade receivables (net of impairment)							
30 June 2015	**5,178**	**4,697**	**316**	**62**	**21**	**47**	**35**
30 June 2014	4,045	2,060	1,662	186	43	44	50

(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: $481,000 (2014: $1,985,000). 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	
	2015 $000	**2014 $000**

8. PREPAYMENTS AND DEPOSITS

	2015 $000	2014 $000
Prepayments	**658**	730
Deposits	**621**	340
Total prepayments and deposits	**1,279**	1,070

9. INVESTMENT IN ASSOCIATE

	2015 $000	2014 $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 2015 was $550,000 (2014: $550,000).

Summary results of the associate entity

	AUS-MEAT Limited	
	2015 $000	**2014 $000**
Revenue	**14,460**	14,412
Accumulated surplus at beginning of the year	**3,249**	2,916
Net surplus for the year	**779**	333
Accumulated surplus at end of the year	**4,028**	3,249

Financial summary of associated entity

	2015 $000	2014 $000
Total current assets	**11,002**	8,842
Total non-current assets	**3,223**	3,320
Total current liabilities	**5,125**	3,609
Total non-current liabilities	**221**	187
Net assets	**8,879**	8,366

The investment in AUS-MEAT Limited has been taken up at nil value (2014:$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	2015	2014	2015	2014
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.

11. PARENT ENTITY INFORMATION

	2015 $000	2014 $000
Information relating to Meat & Livestock Australia Limited		
Current assets	**122,329**	88,159
Total assets	**133,154**	101,555
Current liabilities	**43,823**	38,046
Total liabilities	**48,440**	43,240
Contributed equity	**9,031**	9,031
Reserves	**68**	(216)
Total equity – Members' funds	**84,715**	58,315
Surplus/(deficit) for the year	**26,178**	7,428
Other comprehensive (expense)/income for the year	**284**	(494)

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	
	2015 $000	2014 $000

12. PROPERTY, PLANT AND EQUIPMENT

	2015 $000	2014 $000
Plant and equipment		
At cost	**5,824**	5,539
Accumulated depreciation	**(4,296)**	(3,466)
Total plant and equipment	**1,528**	2,073
Furniture and fittings		
At cost	**336**	364
Accumulated depreciation	**(289)**	(292)
Total furniture and fittings	**47**	72
Leasehold improvements		
At cost	**5,711**	5,765
Accumulated depreciation	**(1,954)**	(1,232)
Total leasehold improvements	**3,757**	4,533
Total property, plant and equipment		
Cost	**11,871**	11,668
Accumulated depreciation	**(6,539)**	(4,990)
Total written down value	**5,332**	6,678

	Consolidated 2015 $000	Consolidated 2014 $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.

	2015 $000	2014 $000
Plant and equipment		
Carrying amount at beginning	**2,073**	1,124
Additions	**491**	1,911
Disposals	**(26)**	(3)
Depreciation expense	**(1,010)**	(959)
	1,528	2,073
Furniture and fittings		
Carrying amount at beginning	**72**	64
Additions	**7**	46
Disposals	**(4)**	–
Depreciation expense	**(28)**	(38)
	47	72
Leasehold improvements		
Carrying amount at beginning	**4,533**	834
Additions	**65**	4,494
Disposals	**(15)**	(9)
Depreciation expense	**(826)**	(786)
	3,757	4,533

13. INTANGIBLE ASSETS

	2015 $000	2014 $000
Software		
At cost	**6,347**	6,076
Accumulated amortisation	**(4,948)**	(4,420)
Total software	**1,399**	1,656
Reconciliation		
Carrying amount at beginning	**1,656**	1,756
Additions	**271**	352
Amortisation expense	**(528)**	(452)
	1,399	1,656

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.

	2015 $000	2014 $000
Total other financial assets	**4,243**	5,274
	4,243	5,274

	Consolidated 2015 $000	Consolidated 2014 $000
15. TRADE AND OTHER PAYABLES (CURRENT)		
Trade payables (a)	**15,484**	11,917
Accrued R&D and other creditors (a)	**18,903**	18,991
Funds held on behalf of the Commonwealth (b)	**–**	6
Rent-free period (Refer note 2q)	**472**	476
Derivative financial instruments (c)	**(68)**	216
Employee entitlements		
– Annual leave	**1,787**	2,275
– Other	**266**	219
Total current trade and other payables	**36,844**	34,100

(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) The Company has entered into arrangements with the Commonwealth Government, through the Department of Agriculture, to receive grants in relation to the National Livestock Identification System (NLIS). These funds are distributed at the direction of the NLIS Review Committee and the Minister.

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

	Consolidated 2015 $000	Consolidated 2014 $000
16. PROVISIONS (CURRENT)		
Long service leave	**1,667**	2,213
Leasehold make good	**121**	22
Total current provisions	**1,788**	2,235

Movements in provisions:

	Consolidated Long service leave $000	Consolidated Leasehold make good $000	Consolidated Total $000
Carrying amount at the beginning of the financial year	**2,213**	**22**	**2,235**
Additional provisions/(provision written back)	**442**	**(41)**	**401**
Utilised	**(1,151)**	**(23)**	**(1,174)**
Amounts transferred from/(to) non-current during the year	**163**	**163**	**326**
Carrying amount at the end of the financial year	**1,667**	**121**	**1,788**

	Consolidated 2015 $000	Consolidated 2014 $000
17. OTHER LIABILITIES (CURRENT)		
Unearned income	**8,888**	5,960
Other	**905**	368
Total current other liabilities	**9,793**	6,328
18. OTHER PAYABLES (NON-CURRENT)		
Fit-out contribution and Rent-free period (Refer note 2q)	**3,294**	3,535
Total non-current other payables	**3,294**	3,535
19. PROVISIONS (NON-CURRENT)		
Long service leave	**661**	1,127
Leasehold make good	**491**	651
Total non-current provisions	**1,152**	1,778

Movements in provisions:

	Consolidated		
	Long service leave $000	Leasehold make good $000	Total $000
Carrying amount at the beginning of the financial year	**1,127**	**651**	**1,778**
Additional provisions	**(303)**	**3**	**(300)**
Amounts transferred (from)/to current during the year	**(163)**	**(163)**	**(326)**
Carrying amount at the end of the financial year	**661**	**491**	**1,152**

	Consolidated	
	2015 $000	**2014 $000**

20. CASH FLOW HEDGE RESERVE

	2015 $000	2014 $000
At the beginning of the financial year	**(216)**	278
Net surplus/(loss) on cash flow hedges	**68**	(216)
Transfer of cash flow hedge reserve to *Statement of Comprehensive Income*	**216**	(278)
Total cash flow hedge reserve (a)	**68**	(216)

(a) The full amount of hedged cash flows as at 30 June 2015 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 2015, a gain of $67,947 (2014: $216,352 loss) was recognised in the cash flow hedge reserve. As at 30 June 2015, the Company did not have any portion of cash flow hedges deemed ineffective.

21. FOREIGN CURRENCY EXPOSURE

The Company takes out option contracts and forward foreign exchange contracts in United States dollars, Japanese yen and Korean won 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.

	Consolidated	
	2015 $000	**2014 $000**
Current assets:		
– UAE dirham	**386**	182
– Euro	**52**	21
– Chinese renminbi	**55**	10
– Indonesian rupiah	**85**	26
– Singapore dollars	**36**	–
– Vietnamese dong	**28**	–
	642	239
Current liabilities:		
– UAE dirham	**36**	31
– Chinese renminbi	**44**	10
– Indonesian rupiah	**82**	26
	162	67

	Consolidated	
	2015 $000	2014 $000

22. EMPLOYEE ENTITLEMENTS

The aggregate employee benefit liability is comprised of:		
Provisions – current (refer note 16)	**1,667**	2,213
Provisions – non-current (refer note 19)	**661**	1,127
Payables – current (refer note 15)	**2,053**	2,494
	4,381	5,834

The number of full-time equivalent employees as at 30 June	**210**	249.9

23. REMUNERATION OF AUDITORS

	Consolidated	
	2015 $	2014 $
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	**164,800**	156,300
– other services in relation to the entity and any other entity in the consolidated entity:		
• tax compliance	**8,000**	8,000
• other non-statutory audit services (a)	**24,624**	2,230
	197,424	166,530

(a) Summary of the other non-statutory audit fees incurred are:

Levies and grant audits	**24,624**	–
Others	**–**	2,230
	24,624	2,230

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	
Christine Gilbertson	(resigned 18 July 2014)
Gregory Harper	(resigned 11 February 2015)
Geoffrey Maynard	
John McKillop	
Peter Trefort	
Rodney Watt	(retired 13 November 2014)
Alan Beckett	(appointed 13 November 2014)
Chris Mirams	(appointed 13 November 2014)

(ii) Executives

Peter Barnard	General Manager – Trade and Economic Services (no longer a KMP from 26 November 2014)
Rachel Debeck	General Manager – Legal and Human Resources (resigned 22 August 2014)
Michael Edmonds	General Manager – Global Marketing (resigned 31 March 2015)
Michelle Gorman	General Manager – Industry Systems (resigned 12 September 2014)
Karen Hellwig	General Manager – Industry Communication & Engagement (resigned 31 March 2015)
Christine Pitt	General Manager – Value Chain Innovation
Greg Taylor	General Manager – Finance & IT (resigned 22 August 2014)
Peter Vaughan	General Manager – Livestock Production Innovation (resigned 22 August 2014)
Clare Stanwix	General Counsel & Company Secretary
Alex Ball	General Manager – Red Meat Innovation (appointed 18 August 2015)
Michael Finucan	General Manager – International Markets (appointed 1 March 2015)
Jane Weatherley	General Manager – Livestock Productivity (appointed 1 April 2015)
Steve Potts	Chief Operating Officer (appointed 4 November 2014)
Matthew McDonagh	General Manager – On-farm Innovation and Adoption (appointed 12 January 2015)
Rachel Cofrancesco	Head of Human Resources (appointed 23 February 2015)
Lisa Sharp	General Manager – Central Marketing and Industry Insights (appointed 20 April 2015)
Clair Cameron	General Manager – Communications and Stakeholder Engagement (appointed 4 May 2015)

(iii) Compensation of key management personnel by categories

	Notes	Consolidated 2015 $	2014 $
Directors (a)			
Short-term benefits		**979,095**	939,765
Post employment benefits		**63,666**	62,915
Other long-term benefits		**1,153**	7,834
	(a)	**1,043,914**	1,010,514
Executives (b)			
Short-term benefits		**2,646,775**	2,335,122
Post employment benefits		**172,794**	142,198
Other long-term benefits		**45,968**	70,616
	(b)	**2,865,537**	2,547,936

(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.

24. DIRECTOR AND EXECUTIVE DISCLOSURES *continued*

(b) Related party transactions

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

- Dr Allan is Chancellor of Charles Sturt University which has invoiced the company $598,385 (2014: $nil) for various R&D projects. Dr Allan is non-executive director of Food Innovation Australia. The Company has invoiced $126,844 (2014: $nil) for development of meat based retail-ready chilled toddler food.
- Dr Harper is an Honorary Senior Fellow at the University of Melbourne which invoiced the Company $46,727 (2014: $nil) for the Quantifying Welfare Improvements programme and $199,171 (2014:$nil) for MSA Statistical Analysis for development of the MSA grading model. Dr Harper is also the Executive Director of the Victorian Department of Economic Development, Jobs, Transport and Resources which invoiced the company $895,368 for the period 1 July 2014 until his resignation as an MLA Director on 11 February 2015. The projects included EverGraze ($275,000), methane mitigation ($161,334), the More Beef from Pastures (MBfP) program ($110,000), the enhanced Producer Demonstration Sites program ($77,000) and other smaller projects totalling $272,035.
- Mr Maynard is a member of Agforce Qld which invoiced the Company $7,100 (2014: $nil) for Ag-Grow Field Days. The Company invoiced Agforce Qld for $7,644 (2014: $nil) for the Animal Welfare and South Asia/Greater China Beef Week delegation.
- Mr McKillop is a non-executive Director of Dairy Australia Limited which has invoiced the Company $119,806 (2014: $126,500). This is primarily for the Company's contribution to implementation of national RD&E water strategy. The Company has invoiced Dairy Australia Limited $188,798 (2014: $194,747) for 'Cattle Selection Methods patent' opposition. The outstanding balance at 30 June was $4,125 (2014: $14,652). Mr McKillop is also a non-executive director of the Primary Industries Education Foundation which invoiced the Company $92,950 (2014: $84,700) for development of the 'Unit of Inquiry' Study Guide.
- Mr Mirams is a Director of Holbrook Landcare Network which is a recipient of Producer Demonstration Site funding for productivity benefits of traditional and non-traditional fertilisers. During the year, Holbrook Landcare invoiced the Company $18,933.
- Mr Scott is a member of Northern Territory Cattlemen's Association which invoiced the company $46,500 (2014: $nil) for Indonesia market access and the 2015 NTCA industry conference. Mr Scott is a member of Agforce Qld which invoiced the Company $7,100 (2014: $nil) for Ag-Grow Field Days. The Company invoiced Agforce Qld for $7,644 (2014: $nil) for the Animal Welfare and South Asia/Greater China Beef Week delegation. Mr Scott received director's fees including superannuation totalling $17,600 (2014: $6,667) from AUS-MEAT Limited.
- Mr Trefort is a director of the 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 $1,741,528 (2014: $613,401) to carry out various R&D projects. The outstanding balance at 30 June was $426,250 (2014: nil). The company invoiced Sheep CRC $123,654 for continuation of the sheep information nucleus under Sheep CRC management.

	Consolidated 2015 $000	Consolidated 2014 $000
25. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash on hand	**14,374**	16,987
NLIS funds held on behalf of Commonwealth for NLIS implementation activities	**99**	98
Short term money market deposits	**76,500**	45,500
Closing cash balance	**90,973**	62,585
(b) Reconciliation of net cash from operating activities to net surplus		
Net surplus/(deficit)	**26,178**	7,428
Adjustments for:		
Net (gain)/loss on disposal of property, plant and equipment	**45**	(42)
Depreciation expense	**1,821**	1,783
Amortisation expense	**528**	452
Interest received	**(2,319)**	(1,556)
Change in assets and liabilities:		
(Increase)/decrease in assets:		
(Increase) in trade and other receivables	**(5,394)**	(4,955)
(Increase) in prepayments and deposits	**(209)**	(16)
(Increase)/decrease in other financial assets	**1,031**	(50)
Increase/(decrease) in liabilities:		
Increase in trade and other payables	**2,503**	5,679
(Decrease)/increase in other liabilities	**3,465**	(624)
(Decrease) in provisions	**(788)**	(863)
Net cash from operating activities	**26,862**	7,236

26. EXPENDITURE COMMITMENTS

	2015 $000	2014 $000
Expenditure (primarily research and development) contracted for is payable as follows:		
– Not later than one year	**69,009**	48,166
– Later than one year but not later than five years	**36,668**	43,022
– Later than five years	**–**	–
Aggregate R&D expenditure contracted for at balance date	**105,677**	91,188
Operating lease expenditure contracted for is payable as follows:		
– Not later than one year	**3,943**	3,567
– Later than one year but not later than five years	**8,926**	7,672
– Later than five years	**5,422**	7,213
Aggregate lease expenditure contracted for at balance date (a)	**18,291**	18,452

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

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 2015, the number of members was 49,845 (2014: 49,260).

28. CONTRIBUTED EQUITY

	Consolidated	
	2015 $000	2014 $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 & 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 six 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 3.70% at 30 June 2015. Some of these assets are held in foreign currency accounts.

Sensitivity analysis:

At 30 June 2015, 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	
	2015 $000	2014 $000
+1.00% (2014: +1.00%)	**941**	672
-0.50% (2014: -1.00%)	**(470)**	(672)

There is no direct impact on other comprehensive income.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(ii) Foreign currency risk

The Group has a policy of hedging a proportion of the offshore component of its annual expenditure. In doing so, it works within Board approved risk management bands which establish the upper and lower limits of hedge cover for each period out on a rolling twelve month basis. The objective is to ensure that the annual budget allocation for offshore expenditure is optimised within an acceptable risk framework.

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 US dollars, Japanese yen or Korean won 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 US dollars and Japanese yen at an agreed rate of exchange maturing at specific times up to 12 months from balance date.

At 30 June 2015, 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 2015. The following tables summarise by currency the Australian dollar value of forward foreign exchange contracts. The "buy" amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies under forward contracts.

Foreign exchange – forward contracts

	Consolidated			
	Average exchange rate		Buy amount	
	2015	2014	2015 $000	2014 $000
United States dollars				
Maturing in:				
3 months or less	**0.7868**	0.9041	**3,050**	1,991
Over 3 to 12 months	**0.7643**	0.9106	**3,663**	3,789
			6,713	5,780
Japanese yen				
Maturing in:				
3 months or less	**94.06**	91.76	**638**	1,253
Over 3 to 12 months	**92.48**	92.60	**1,622**	2,970
			2,260	4,223
Korean won				
Maturing in:				
3 months or less	**867.86**	959.56	**461**	886
Over 3 to 12 months	**846.12**	944.16	**1,725**	1,536
			2,186	2,422

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.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(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.

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	**34,293**	**–**

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *continued*

(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 2015	
	Market observable inputs (level 2) $000	Total $000
Financial assets		
Derivative instruments		
Forward currency contracts	68	68
	68	68

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 2015, if these netting arrangements were to be applied to the derivative portfolio, derivative assets are reduced by $114,636 (30 June 2014: $16,561) and derivative liabilities are reduced by $114,636 (30 June 2014: $16,561).

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 (2014: $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 (2014: $5 million) contingency fund for the management of industry crises 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 2015 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

17 September 2015

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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 2015, 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.

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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 2015 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

Ernst & Young

Rob Lewis

Rob Lewis
Partner
Sydney
17 September 2015