

Beef + Lamb New Zealand Limited

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 September 2018

	Note	GROUP			GROUP		
		Year Ended 2018			Year Ended 2017		
		Total	Levy Stream	Non Levy Stream	Total	Levy Stream	Non Levy Stream
In thousands of New Zealand dollars							
Non Exchange Revenue							
Levies Received	4	25,850	25,850	-	24,417	24,417	-
Other Non Exchange Income	4	8,615	5,270	3,345	8,857	5,533	3,324
Exchange Revenue							
Other income	4	3,872	3,872	-	3,219	3,219	-
Operating expenses	6	(37,084)	(33,202)	(3,882)	(37,841)	(32,501)	(5,340)
Net operating surplus/ (deficit) from operating activities		1,253	1,790	(537)	(1,348)	668	(2,016)
Net finance income	5	630	542	88	661	515	146
Revaluation of Investment in Subsidiary company	11	-	-	-	-	-	-
Share of deficit of associates	11	-	-	-	-	-	-
Net operating surplus/ (deficit) for the year before income tax		1,883	2,332	(449)	(687)	1,183	(1,870)
Income tax expense	7	-	-	-	-	-	-
Net operating surplus/ (deficit) for the year		1,883	2,332	(449)	(687)	1,183	(1,870)
<i>Other comprehensive income</i>		-	-	-	-	-	-
Net change in fair value of available-for-sale financial assets		-	-	-	-	-	-
Total comprehensive income for the year		1,883	2,332	(449)	(687)	1,183	(1,870)
Attributable to:							
Levy payers	13	2,332	2,332	-	1,183	1,183	-
Meat Education Fund		(324)	-	(324)	(494)	-	(494)
Special Reserves		(125)	-	(125)	(1,376)	-	(1,376)
		1,883	2,332	(449)	(687)	1,183	(1,870)

This statement is to be read in conjunction with the accounting policies and notes on pages 7 to 26.



Beef + Lamb New Zealand Limited

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 September 2018

PARENT						
	Note	Year Ended 2018				
		Beef	Sheepmeat	Total Levy Stream	Non Levy Stream	Total
In thousands of New Zealand dollars						
Non Exchange Revenue						
Levies Received	4	11,374	14,476	25,850	-	25,850
Other Non Exchange Income	4	720	1,080	1,921	3,345	5,266
Exchange Revenue						
Other income	4	984	1,234	2,096	-	2,096
Operating expenses	6	(12,288)	(15,719)	(28,007)	(3,882)	(31,889)
Net operating surplus/ (deficit) from operating activities		790	1,071	1,860	(537)	1,323
Net finance income	5	223	283	506	88	594
Impairment of Investment in Subsidiary Companies	11	-	-	-	-	-
Net operating surplus/ (deficit) for the year before income tax		1,013	1,354	2,366	(449)	1,917
Income tax expense	7	-	-	-	-	-
Net operating surplus/ (deficit) for the year		1,013	1,354	2,366	(449)	1,917
<i>Other comprehensive income</i>		-	-	-	-	-
Total comprehensive income for the year		1,013	1,354	2,366	(449)	1,917
Attributable to:						
Levy payers	13	1,013	1,354	2,366	-	2,366
Meat Education Fund		-	-	-	(324)	(324)
Special Reserves		-	-	-	(125)	(125)
		1,013	1,354	2,366	(449)	1,917
Share of Operating surplus/ (deficit) of Research Consortium and Subsidiaries as reflected in Group Financial Statements comprising:				(34)		
B+LNZ Investments Ltd				(106)		
Pastoral Genomics Ltd				(12)		
B+LNZ Emissions Company Ltd				(37)		
B+LNZ Genetics Ltd				121		
Group Net operating surplus/ (deficit) for the year- Levy Stream				2,332		

This statement is to be read in conjunction with the accounting policies and notes on pages 7 to 26.



Beef + Lamb New Zealand Limited

Consolidated Statement of Comprehensive Revenue and Expense

For the year ended 30 September 2017

		PARENT					
	Note	Year Ended 2017					
		Beef	Sheepmeat	Wool	Total Levy Stream	Non Levy Stream	Total
In thousands of New Zealand dollars							
Non Exchange Revenue							
Levies Received	4	10,556	13,861	-	24,417	-	24,417
Other Non Exchange Income	4	570	1,330	-	1,900	3,324	5,224
Exchange Revenue							
Other income	4	834	1,095	-	1,929	-	1,929
Operating expenses	6	(11,282)	(16,217)	(438)	(27,937)	(5,340)	(33,277)
Net operating surplus/ (deficit) from operating activities		678	69	(438)	309	(2,016)	(1,707)
Net finance income	5	201	273	14	488	146	634
Impairment of Investment in Subsidiary Companies	11	(5)	(5)	-	(10)	-	(10)
Net operating surplus/ (deficit) for the year before income tax		874	337	(424)	787	(1,870)	(1,083)
Income tax expense	7	-	-	-	-	-	-
Net operating surplus/ (deficit) for the year		874	337	(424)	787	(1,870)	(1,083)
<i>Other comprehensive income</i>					-	-	-
Total comprehensive income for the year		874	337	(424)	787	(1,870)	(1,083)
Attributable to:							
Levy payers	13	874	337	(424)	787	-	787
Meat Education Fund		-	-	-	-	(494)	(494)
Special Reserves		-	-	-	-	(1,376)	(1,376)
		874	337	(424)	787	(1,870)	(1,083)
Share of Operating surplus/ (deficit) of Research Consortium and Subsidiaries as reflected in Group Financial Statements comprising:					396		
B+LNZ Investments Ltd					(34)		
Pastoral Genomics Ltd							
B+LNZ Emissions Company Ltd					343		
B+LNZ Genetics Ltd					87		
Group Net operating surplus/ (deficit) for the year- Levy Stream					1,183		

This statement is to be read in conjunction with the accounting policies and notes on pages 7 to 26.



Beef + Lamb New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 30 September 2018

	Group		Parent	
	Retained earnings	Total Equity	Retained earnings	Total Equity
In thousands of New Zealand dollars				
Balance at 1 October 2017	20,382	20,382	19,417	19,417
Total comprehensive revenue and expense				
Surplus/(Deficit) for the year	1,883	1,883	1,917	1,917
Total comprehensive income for the year	1,883	1,883	1,917	1,917
Balance at 30 September 2018	22,265	22,265	21,334	21,334

Beef + Lamb New Zealand Limited

Consolidated Statement of Changes in Equity

For the year ended 30 September 2017

	Group		Parent	
	Retained earnings	Total Equity	Retained earnings	Total Equity
In thousands of New Zealand dollars				
Balance at 1 October 2016	21,069	21,069	20,500	20,500
Total comprehensive revenue and expense				
Surplus/(Deficit) for the year	(687)	(687)	(1,083)	(1,083)
Total comprehensive income for the year	(687)	(687)	(1,083)	(1,083)
Balance at 30 September 2017	20,382	20,382	19,417	19,417

This statement is to be read in conjunction with the accounting policies and notes on pages 7 to 26



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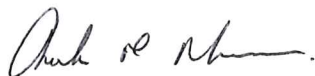
Beef + Lamb New Zealand Limited

Consolidated Statement of Financial Position

As at 30 September 2018

In thousands of New Zealand dollars	Note	GROUP		PARENT	
		2018	2017	2018	2017
EQUITY EMPLOYED					
Retained earnings	13	22,265	20,382	21,334	19,417
TOTAL EQUITY EMPLOYED		22,265	20,382	21,334	19,417
Represented by:					
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents		9,470	4,696	7,908	3,900
Trade and other exchange receivables	8	1,455	2,669	917	611
Non– exchange Receivables	8	1,846	1,819	1,711	1,785
Term Deposits	9	13,545	16,049	13,545	15,820
Derivative financial instruments	10	24	26	24	26
Livestock on Hand		323	-	-	-
Advance to Subsidiary Company		-	-	-	950
TOTAL CURRENT ASSETS		26,663	25,259	24,105	23,092
NON-CURRENT ASSETS					
Property, plant & equipment		572	463	458	377
Intangible assets		412	210	412	210
Investments in subsidiary companies	11	-	-	1	1
Advance to Subsidiary Company	14	-	-	581	-
Term receivables– Exchange		97	78	97	78
TOTAL NON-CURRENT ASSETS		1,081	751	1,549	666
TOTAL ASSETS		27,744	26,011	25,654	23,758
CURRENT LIABILITIES					
Trade and other payables		4,569	4,703	3,462	3,470
Derivative financial instruments	10	1	1	1	1
Deferred Revenue		148	-	148	-
Provisions	12	-	183	-	183
Employee entitlements		573	574	521	520
TOTAL CURRENT LIABILITIES		5,291	5,461	4,132	4,174
NON CURRENT LIABILITIES					
Lease Liabilities		188	167	188	167
TOTAL NON-CURRENT LIABILITIES		188	167	188	167
TOTAL LIABILITIES		5,479	5,628	4,320	4,341
NET ASSETS		22,265	20,382	21,334	19,417

A Morrison
Chairman



M Coup
Chairman Audit & Risk Committee



The Board of Directors authorised these financial statements for issue on 5 December 2018.

This statement is to be read in conjunction with the accounting policies and notes on pages 7 to 26.




Consolidated Statement of Cash Flows

For the year ended 30 September 2018

In thousands of New Zealand dollars	GROUP		PARENT	
	Year ended 2018	Year ended 2017	Year 2018	Year 2017
OPERATING ACTIVITIES				
Cash was received from:				
Levy receipts	25,682	25,448	25,682	25,448
Receipts from customers including rental income	5,915	2,629	2,229	2,172
Government Grants	3,349	3,579	-	-
Interest received	622	668	584	643
Grant funding from New Zealand Meat Board	5,259	4,652	5,259	4,652
Realised Gain/ (Loss) on matured Foreign Exchange Contracts	25	(81)	28	(81)
Net GST Received/ (Paid)	72	40	66	5
	<u>40,924</u>	<u>36,935</u>	<u>33,848</u>	<u>32,839</u>
Cash was applied to:				
Payments to suppliers and employees	34,245	34,739	24,815	24,650
Payments to Subsidiary Company	-	-	2,774	3,216
Payments to Consortia	-	-	871	890
Payments to Industry Partner/Participant	3,434	3,381	3,434	3,381
Foreign currency translation adjustment	(7)	(19)	(7)	(19)
	<u>37,672</u>	<u>38,101</u>	<u>31,887</u>	<u>32,118</u>
Net cash flows from operating activities	<u>3,252</u>	<u>(1,166)</u>	<u>1,961</u>	<u>721</u>
INVESTING ACTIVITIES				
Cash was received from:				
Maturity of investments	25,760	27,664	25,760	27,644
Disposal of property, plant & equipment	1	2	1	2
Return of venturers' funds	-	-	-	9
	<u>25,761</u>	<u>27,666</u>	<u>25,761</u>	<u>27,655</u>
Cash was applied to:				
Purchase of property, plant & equipment	260	294	199	256
Purchase of intangible assets	399	186	399	186
Purchase of Livestock	323	-	-	-
Return of venturers' funds	-	8	-	-
Purchase of investments	23,256	27,578	23,485	27,350
	<u>24,238</u>	<u>28,066</u>	<u>24,083</u>	<u>27,792</u>
Net cash flows from/ (to) investing activities	<u>1,523</u>	<u>(400)</u>	<u>1,678</u>	<u>(137)</u>
FINANCING ACTIVITIES				
Cash was received from:				
Repayment of Loan	-	-	950	-
	<u>-</u>	<u>-</u>	<u>950</u>	<u>-</u>
Cash was applied to:				
Shareholder Advance to Subsidiary company	-	-	581	950
Net cash flows used in financing activities	<u>-</u>	<u>-</u>	<u>369</u>	<u>(950)</u>
Net increase/ (decrease) in cash and cash equivalents	<u>4,775</u>	<u>(1,566)</u>	<u>4,008</u>	<u>(366)</u>
Add: Opening cash and cash equivalents	4,695	6,262	3,900	4,266
Closing cash and cash equivalents	<u>9,470</u>	<u>4,696</u>	<u>7,908</u>	<u>3,900</u>
CASH AND CASH EQUIVALENTS COMPRISE				
Cash at Bank	6,300	3,739	4,738	3,336
Short Term Deposits	3,000	393	3,000	-
Meat Education Fund Deposit	170	564	170	564
	<u>9,470</u>	<u>4,696</u>	<u>7,908</u>	<u>3,900</u>

This statement is to be read in conjunction with the accounting policies and notes on pages 7 to 26.

Notes to the Financial Statements

For the year ended 30 September 2018

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Notes to the Financial Statements

For the year ended 30 September 2018

1. Reporting Entity

The financial statements are for Beef + Lamb New Zealand Limited (the Parent), as a separate entity and the consolidated financial statements are for the Beef + Lamb New Zealand Limited Group (the Group), which includes all its subsidiaries and associated entities as disclosed in note 11.

The Parent and the Group are designated as public benefit entities for financial reporting purposes. Beef + Lamb New Zealand Limited is a company incorporated in New Zealand, with its registered office in Wellington. The Group operates in the red meat industry in New Zealand.

2. Basis of Preparation

(a) Statutory base

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993, and the Commodity Levies Act 1990.

The Commodity Levies Act 1990 does require reporting the balance sheet by red meat and wool levy streams. The wool levy stream is now exhausted. The balance in 2018 represents meat levy assets and liabilities only.

(b) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the PBE Accounting Standards as appropriate for Tier 1 not-for profit public benefit entities.

(c) Basis of measurement

The accounting policies set out in the relevant notes to the financial statements have been applied consistently to all periods presented in these financial statements.

The financial statements have also been prepared on an historical cost basis. Accrual accounting is used in the recognition of expenses and revenues. The accounting policies have been applied consistently by the Group entities.

(d) Going concern

These statements have been prepared on a going concern basis. The Commodities Levies (Meat) Order 2015 was made by Order in Council in December 2015. This order came into force on 22 February 2016 and expires no later than 21 February 2022.

Prior to 2021, the company will be holding a referendum in accordance with the Commodity Levies Act 1990. The referendum will allow the organisation's eligible levy payers to vote on the future activities and funding of Beef + Lamb New Zealand Limited and if successful will renew the company's mandate for up to another six years.

(e) Critical accounting estimates

The preparation of financial statements in conformity with PBE Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 11 Investments in Subsidiaries, associates and joint ventures.



Notes to the Financial Statements

For the year ended 30 September 2018

(f) Foreign currency

(i) Functional and presentation currency

The consolidated and Parent financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(g) GST

The financial statements are prepared exclusive of GST with the exception of receivables and payables, which are stated inclusive of GST.

(h) Expenditure of an intangible nature

Intellectual property

Intellectual property includes patent costs, trade secrets, brands (Taste Pure Nature) and scientific knowledge acquired. All costs are expensed, unless there is sufficient certainty that the intellectual property will directly generate sufficient income flows for the Group to support the carrying value.

Software

Internally generated software, and purchased software that is not integral to the operating system of hardware, is capitalised as an intangible asset, subject to it generating service potential to the entity. Software is measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation of intellectual property and software is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of intangible assets, from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- Software 2.5 years

(i) Livestock

Livestock includes sheep and cattle and is valued using the national average market values as issued by the Inland Revenue Department as a proxy for the market value of the livestock.

3. Levy and Non- Levy Stream Performance

The Statement of Comprehensive Revenue and Expense for Beef + Lamb New Zealand Ltd has been prepared by individual levy stream (beef and sheepmeat,). This provides more specific detail than is required by the Commodity Levies Act 1990 and the constitution, which require, as a minimum, a summary of activities of the meat levy streams.

The Statement of Non- Levy Stream Performance for Beef + Lamb New Zealand Ltd details expenditure from special reserves and Meat Education Fund, classified as Non- Levy sources.

The special reserve comprises funds originating from Non-Levy sources, primarily the gain on sale of an associated company shareholding in March 2008.

Notes to the Financial Statements

For the year ended 30 September 2018

The Meat Education fund was established with funds remaining from the wind-up of the Meat Industry Research Trust in 1991. The funds, and interest generated from this reserve, are to be applied to educational or research purposes. Beef + Lamb New Zealand Limited also funds additional education programmes from levy income.

2018	Note	Non-Levy Stream	Meat Education Fund	Total Non-Levy Stream
In thousands of New Zealand dollars				
Income				
Capital Funding from New Zealand Meat Board	4	3,345	-	3,345
Interest Income	5	71	17	88
Total income		3,416	17	3,433
Expenditure				
Red Meat Profit Partnership		3,448	-	3,448
Website Development		1	-	1
Organisational Re-design		92	-	92
Leadership Grants		-	260	260
Scholarships		-	81	81
Total operating expenditure		3,541	341	3,882
Net operating surplus/ (deficit) for the year		(125)	(324)	(449)

2017	Note	Non-Levy Stream	Meat Education Fund	Total Non-Levy Stream
In thousands of New Zealand dollars				
Income				
Capital Funding from New Zealand Meat Board	4	3,324	-	3,324
Interest Income	5	117	29	146
Total income		3,441	29	3,470
Expenditure				
Red Meat Profit Partnership		3,377	-	3,377
Website Development		400	-	400
Organisational Re-design		402	-	402
Market Development Restructure		638	-	638
Leadership Grants		-	346	346
Scholarships		-	177	177
Total operating expenditure		4,817	523	5,340
Net operating surplus/ (deficit) for the year		(1,376)	(494)	(1,870)



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Notes to the Financial Statements

For the year ended 30 September 2018

4. Revenue and Other Income

Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding goods and services tax (GST), rebates and discounts. Revenue is recognised as follows:

Revenue from exchange transactions

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

(i) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue from non-exchange transactions

Non-exchange transactions are those where the Group receives value from another entity (e.g. cash or other assets) without giving approximately equal value in exchange.

(i) Levy income

Levy income is recognised at time of slaughter for beef and sheep meat.

(ii) Research Service Revenue from Government

The recognition of non-exchange revenue from grants depends on whether the grant comes with any stipulations imposed on the use of a transferred asset. Stipulations that are 'conditions' specifically require the Group to return the inflow of resources received if they are not used in the way stipulated, resulting in the recognition of a liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Group to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

The Group receives research revenue from the Ministry of Business Innovation and Employment (MBIE). The contract services agreement provides for a fixed income amount per annum from each partner and from MBIE in line with research expenditure. The income is billed and recognised by the Group as mutually agreed with partners and MBIE, to meet the Group's funding commitments including those required to satisfy expenditure obligations with outsourced research service providers.

Depending on the stipulations of each grant the Group may or may not have to return unspent funds. If there are conditions attached, revenue in relation to that particular grant is not recognised until the conditions have been fulfilled. For grants with restrictions, the revenue is recognised when it is received by the Group.

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant.

Grants that compensate the Group for expenses incurred are recognised in income on a systematic basis in the same periods in which the expenses are recognised.

Notes to the Financial Statements

For the year ended 30 September 2018

Other Non-Exchange Income

	Group		Parent	
In thousands of New Zealand dollars	2018	2017	2018	2017
Research Revenue from Government	3,470	3,633	121	-
Grant funding from the New Zealand Meat Board	1,800	1,900	1,800	1,900
Capital funding from the New Zealand Meat Board	3,345	3,324	3,345	3,324
Total other income	8,615	8,857	5,266	5,224

Other Exchange Income

	Group		Parent	
In thousands of New Zealand dollars	2018	2017	2018	2017
Service recoveries	980	992	1,141	1,148
Other Income	2,892	2,227	955	781
Total other income	3,872	3,219	2,096	1,929

5. Finance Income and Expense

Finance income comprises interest income on funds invested, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprise foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except for trade receivables), losses on the disposal of available-for-sale financial assets, and losses on hedging instruments that are recognised in profit or loss.

	Group		Parent	
In thousands of New Zealand dollars	2018	2017	2018	2017
Interest income on term deposits	460	532	460	531
Interest income on cash and cash equivalents	137	88	101	62
Foreign exchange gain/(loss) on derivatives	33	41	33	41
Finance income	630	661	594	634
Finance expense	-	-	-	-
Net finance income	630	661	594	634



Notes to the Financial Statements

For the year ended 30 September 2018

6. Other Operating Expenses

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Statement of Comprehensive Revenue and Expenditure when incurred.

Intellectual property spend in the period includes the development of the Taste Pure Nature brand of \$367,528 (2017:\$ nil)

Research and development includes software development for the new nProve technology launched by Beef + Lamb Genetics Ltd of \$ 361,444 (2017 \$ 49,588). nProve is a new genetics analytics system enabling better and faster sheep genetic decisions.

Other Fees paid to KPMG comprise the fees for market development contract work, which was awarded to KPMG after a competitive tender process. \$257,202 was paid to KPMG during 2018 (2017: \$nil) for this work. The market development contract awarded to KPMG is a permissible service under auditor independence rules (specifically Professional Ethical Standards – 1 “PES-1”). Clause 7.4 of the Audit & Risk Committee Charter establishes the Auditor Independence Policy and requires a review of the independence of the external auditors and the appropriateness of any non-audit services they undertake for the Company. Management discusses any KPMG work outside of audit directly with the Committee prior to it being procured.

The following items of expenditure are included in operating expenses:

In thousands of New Zealand dollars	Group		Parent	
	2018	2017	2018	2017
<i>Audit fees</i>				
Auditor's remuneration to KPMG comprises:				
– audit of financial statements	44	48	40	42
– market development contract work	257	-	257	-
Total auditor's remuneration	<u>301</u>	<u>48</u>	<u>297</u>	<u>42</u>
Depreciation	147	191	113	163
Software amortisation	188	105	188	105
Write-off of Intangible Assets	9	-	9	-
Rental expense relating to operating leases	715	652	595	540
Directors fees	419	359	408	315
Research and development expenditure	10,609	9,786	5,488	5,223
Total employee benefits–Continuing	8,798	9,770	8,052	7,913
Total employee benefits–Non– Continuing	298	1,025	298	1,025



Notes to the Financial Statements

For the year ended 30 September 2018

7. Income Tax Expense

The income tax expense charged to the consolidated and Parent income statement includes both the current year's expense and the income tax effects of temporary differences.

In accordance with section 85 of the Meat Board Act 2004, the New Zealand Meat Board and Beef + Lamb New Zealand Limited and its subsidiaries form a consolidated tax group for income tax purposes.

In thousands of New Zealand dollars	Group		Parent	
	2018	2017	2018	2017
Surplus before tax	1,883	(687)	1,917	(1,083)
Prima facie tax @28%	527	(192)	537	(303)
Taxation effect of adjustments				
Adjustments for future tax benefits – recovery not probable	126	37	603	545
Utilised against unrecognised tax losses	401	155	(66)	(242)
Current taxation expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Unrecognised tax losses of \$73.1 million (2017: \$73.1 million) are available to the consolidated tax group (which includes the New Zealand Meat Board and Beef + Lamb New Zealand Limited), subject to assessment of the current year losses by the Inland Revenue Department. Deferred tax assets are not recognised as it is not likely they will be realised.

8. Receivables— Exchange Transactions

Trade receivables are recognised at the receivable amount less provision for doubtful debts. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. When it is considered doubtful that debtors will pay the amounts due, a provision for doubtful debts is recognised.

In thousands of New Zealand dollars	Group		Parent	
	2018	2017	2018	2017
Trade Receivables due from Related parties	-	-	43	0
Other Trade Receivables	1,180	2425	601	370
Prepayments	135	80	133	78
Accrued interest	140	164	140	163
	<u>1,455</u>	<u>2,669</u>	<u>917</u>	<u>611</u>



Notes to the Financial Statements

For the year ended 30 September 2018

Receivables— Non Exchange Transactions

In thousands of New Zealand dollars	Group		Parent	
	2018	2017	2018	2017
Levies Receivable	1,130	959	1,130	959
Government Grants Receivable	-	-	120	-
Venturers' Contributions Receivable	-	216	-	-
NZMB Grant Funding Receivable	458	572	458	572
Research Revenue Receivable	230	0	-	-
GST	27	72	3	69
Prepayments	1	1	0	185
	<u>1,846</u>	<u>1,820</u>	<u>1,711</u>	<u>1,785</u>

9. Term Deposits

Term Deposits are classified as held to maturity because the Group has the positive intention to hold them to maturity.

In thousands of New Zealand dollars	Group		Parent	
	2018	2017	2018	2017
Current investments				
Fixed Interest Investments	13,545	16,049	13,545	15,820



Notes to the Financial Statements

For the year ended 30 September 2018

10. Financial Instruments

Classification and fair values

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise cash and cash equivalents, trade and other receivables, term receivables and other investments, and trade and other payables.

(ii) *Derivative financial instruments*

Changes in the fair value of any derivative instruments are recognised immediately in the statement of comprehensive revenue and expense.

Fair Value Hierarchy

Level 1: fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices)

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Beef + Lamb's financial assets and liabilities that are measured at fair value by the significance of inputs used in making the measurement are categorised as level 2, as prescribed by IPSAS 30.

Interest rates used for determining fair value

The Group uses market interest rates based on the readily available market index interest rates for bank debt.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign currency forward exchange contracts are used to manage foreign currency exposure.

Management is responsible for managing exposures in each foreign currency in accordance with the company's Treasury Policy approved by the Board of Directors. This sets minimum and maximum hedging exposures for each currency within defined time frames.

Quantitative disclosures

Credit risk

The carrying amount of financial assets represents the Group's maximum credit exposure.

The status of trade receivables at the reporting date is as follows:

There is no individual or collective impairment of debtors at balance date (2017: nil). All receivables balances are current.

Beef + Lamb New Zealand Limited also holds investments with various banks, all of which have a Standard & Poor's credit rating of AA- or higher as at 30 September 2018.



Notes to the Financial Statements

For the year ended 30 September 2018

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

Within the credit constraints listed above, the Group also seeks to:

- ensure that investments are negotiable and liquid;
- maximise investment return; and
- manage potential capital losses if investments need to be liquidated before maturity.

Liquidity risk is minimised by ensuring that all investments must be capable of being liquidated in a readily available secondary market. Currently these short-term investments are in bank deposits, not corporate bonds. The following table sets out the contractual cash flows for Forward Exchange Contracts. Trade and other payables are expected to all be settled within 6 months and cash flows from Loans are not considered material.

In thousands of New Zealand dollars

	Group & Parent			
	Balance sheet	Contractual cash flows	6 months or less	6-12 months
2018				
Forward exchange contracts				
Inflow	24	1,179	756	423
Outflow	(1)	(1,156)	(738)	(418)
2017				
Forward exchange contracts				
Inflow	26	601	393	208
Outflow	(1)	(576)	(372)	(204)

Interest rate maturity

In thousands of New Zealand dollars:

	2018			2017		
	Total	6 months or less	6-12 months	Total	6 months or less	6-12 months
Group						
Held-to-maturity investments	13,545	11,545	2,000	16,049	14,049	2,000
Parent						
Held-to-maturity investments	13,545	11,545	2,000	15,820	13,820	2,000

Notes to the Financial Statements

For the year ended 30 September 2018

Capital management

The Group's capital includes accumulated funds, reserves, retained earnings and the Meat Education Fund. To the extent that Beef + Lamb New Zealand Limited's capital represents unutilised levy income, the Group is prohibited under the Commodity Levies Act 1990 from committing that capital to commercial or trading activities without ministerial consent. The Group is further committed to expending any such capital for a list of specified purposes set out in the Commodity Levies (Meat) Order 2015.

The Group is not subject to any externally imposed capital requirements. It is not the intention of Beef + Lamb New Zealand Limited to build up significant levy stream reserves that span several years. A key principle is to maintain and enhance the value of the assets owned by Beef + Lamb New Zealand Limited and to manage Beef + Lamb New Zealand Limited's investments in a manner consistent with current governing legislation. Management aims to optimise returns from these investments within operating parameters designed to minimise credit, interest rate and liquidity risk.

Beef + Lamb New Zealand Limited maintains the Meat Education Fund where the income generated and small capital payments are used to fund industry-related educational scholarship programmes. The Meat Education Fund is being drawn down and will be fully expended by 30 September 2019.

There have been no material changes to the Group's management of capital over the reporting period.

Sensitivity analysis

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Investments are currently all in term deposits with a maturity of one year or less. Over the longer term, however, permanent changes in foreign exchange and interest rates will have an impact on profit.

It is estimated that a decrease of one percent in the value of the New Zealand dollar against other foreign currencies would have increased the Group's surplus before income tax by approximately \$29,522 for the year ended 30 September 2018 (2017 reduced the loss by \$1,673). The impact of forward exchange contracts has been included in this calculation.



Notes to the Financial Statements

For the year ended 30 September 2018

11. Investments in Subsidiaries, Associates and Joint Ventures

Basis of consolidation

(i) Subsidiaries

Companies that are controlled, either directly or indirectly, by Beef + Lamb New Zealand Limited are considered subsidiary companies. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The Group financial statements incorporate the Group's interest in associates, using the equity method, as from the date the significant influence commenced or until the date the significant influence ceased.

The Group recognises its share of the associates' net surplus or deficit for the year as other income/expenditure in its income statement. The Group's share of associates' surplus or deficit is adjusted for any differences between the accounting policies of the Group and associates. The Group recognises its share of other post-acquisition movements in reserves in its Statement of Recognised Income and Expense. In the balance sheet, the investment is adjusted to match the Group's share of net assets. In assessing the Group's share of earnings of associates, the Group's share of any unrealised profits between Group companies and associates is eliminated.

Judgement is exercised in determining if the Group has significant influence over an associate.

(iii) Joint ventures

Joint ventures are joint arrangements between the company and another party in which there is contractual agreement to undertake a specific business project in which the venturers' share several liability in respect of costs and liabilities of the project and share in any resulting output. The Group's share of the assets, liabilities, revenues and expenses of joint ventures is incorporated into the Group financial statements on a line-by-line basis using the proportionate consolidation method.

All subsidiaries are incorporated in New Zealand and are as follows:

100%	B+LNZ Genetics Limited – a trading company operating all Beef + Lamb New Zealand Limited sheep and beef genomics, central progeny testing and sheep improvement (SIL) activities. This sheep genomics research was previously operated by Ovita Limited– (50% owned with AgResearch Limited).
100%	Primary Resources Limited – a non-trading company.
100%	B+LNZ Emissions Company Limited – a research investment company. B+LNZ Emissions Company Limited holds an interest of 16.38% in Pastoral Greenhouse Gas Research Consortium. The balance date of Pastoral Greenhouse Gas Research Consortium is 30 June. The 12 months to 30 September 2018 include three months of unaudited results from the management accounts.
100%	B+LNZ Investments Limited – a holding company. B+LNZ Investments Limited has one subsidiary, North Canterbury Future Farm Management Limited (NCFF) (100%). NCFF is the General Partner for B+LNZ's Future Farm investment which is owned 50% with Lanercost Farming 2018 Ltd. The trading results for the future farm from 1 April 2018 to 30 September 2018 are included in the Group Financial Statements
100%	B+LNZ Clover Company Limited (100%), which holds an interest of 26.22% in Pastoral Genomics Research Consortium. The balance date of Pastoral Genomics Research Consortium is 30 June. The unaudited results for the three-month period to 30 September 2018 are included in the consolidated financial statements.

Notes to the Financial Statements

For the year ended 30 September 2018

45.5% OSPRI New Zealand Limited – OSPRI New Zealand is a not-for-profit limited company, established on 1 July 2013. Its shareholders are DairyNZ (45.5%), Beef+Lamb New Zealand Ltd (45.5%) and Deer Industry New Zealand (9%). TBfree New Zealand Ltd (formerly the Animal Health Board) and NAIT Ltd are wholly-owned subsidiaries of OSPRI New Zealand Ltd.

The Group does not consider itself to have significant influence, as there is no representation on the Board of Directors, no operational influence on financial and policy decisions, and OSPRI's constitution prohibits distributions to its shareholders. Therefore, OSPRI is not considered an associate of the Group

OSPRI New Zealand Limited is registered as a charitable entity under the Charities Act 2005 (Registration Number CC49247). OSPRI New Zealand Limited has a 30 June balance date.

(a) Movements in investments

(i) The following movements in investments occurred during the financial year:

In thousands of New Zealand dollars	Group		Parent	
	2018	2017	2018	2017
Investment in B+LNZ Johnesco Limited				
- Impairment	-	-	-	10
Total movement	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>

As at 30 September 2018, the parent performed an impairment test on the investments in subsidiary companies and where necessary, has written them down to their fair values. There was no write down required as at 30 September 2018. Although B+LNZ Investments Ltd incurred a loss this is considered timing only and the investment is not impaired.

12. Provisions

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

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Further operating losses are not provided for. The restructuring provision includes employee related provisions.

During early 2017, Beef + Lamb New Zealand undertook a refresh of its organisational structure. A number of staff positions were changed or dis-established and new positions also created.

This restructure commenced in 2017 was completed during the 2018 financial year. In 2017, the Group recognised a provision of \$183,329 for expected restructuring costs which include costs for employee termination benefits and this provision was fully utilised in the 2018 financial year.



Notes to the Financial Statements

For the year ended 30 September 2018

13. Reserves and Retained Earnings

(a) Retained earnings

Retained earnings contains general retained earnings in addition to the following:

(i) Special reserve

The special reserve is a conduit for funds originating from non-levy sources, primarily the gain on sale of an associated company shareholding in March 2008.

(ii) Meat Education Fund

This fund was established with funds remaining from the wind-up of the Meat Industry Research Trust in 1991. The funds, and interest generated from this reserve, are to be applied to educational or research purposes. Beef + Lamb New Zealand Limited also funds additional education programmes from its normal operational expenditure. This fund is being drawn down and will be fully expended in the 2019 financial year.

(b) Levy Payers Retained Earnings

This comprises the accumulated surpluses and deficits since 2004.

The following table shows the detail of Reserves and Retained Earnings:

Group	Retained Earnings	Total Equity
Balance at 30 September 2018		
-Levy Payers		
Meat	19,616	19,616
Wool	-	-
-Meat Education Fund	350	350
-Special Reserves	2,299	2,299
	<u>22,265</u>	<u>22,265</u>
Balance at 30 September 2017		
-Levy Payers		
Meat	17,284	17,284
Wool	0	0
-Meat Education Fund	674	674
-Special Reserves	2,424	2,424
	<u>20,382</u>	<u>20,382</u>



Notes to the Financial Statements

For the year ended 30 September 2018

14. Related Party Transactions and Balances**(a) Transactions and balances with subsidiaries, joint ventures and industry partners**

\$000	2018		2017	
	Funding Provided by BLNZ	BLNZ Receivable / (Payable)	Funding Provided by B+LNZ	BLNZ Receivable / (Payable)
B+LNZ Genetics Ltd	(2,833)	(91)	(3,166)	(912)
Pastoral Greenhouse Gas Research Consortium	(702)	23	(370)	20
B+LNZ Investments Limited	-	581	-	-
Pastoral Genomics Limited	(520)	8	(520)	7
Red Meat Profit Partnership Ltd				
Funding	(3,345)	151	(3,324)	28
Contribution to Governance and Partner Review	(103)	-	(72)	-

As at 30 September 2018, B+LNZ advanced \$581,000 to BLNZ Investments Ltd for Future Farms. As at 30 September 2017, B+LNZ advanced \$950,000 to B+LNZ Genetics Ltd, which was paid back in October 2017. There is no funding owed to/(by) any subsidiaries, joint ventures nor associated parties. In 2017, there was no funding owed to/(by) any subsidiaries, joint ventures nor associated parties.

Red Meat Profit Partnership Limited Partnership

Sam McIvor and George Tatham are Beef + Lamb New Zealand Limited's representatives on the Board of the Red Meat Profit Partnership Limited Partnership. Red Meat Profit Partnership Limited Partnership is a Partnership established in May 2014 between Beef + Lamb New Zealand Limited, Alliance Group Limited, Blue Sky Meats(N.Z.) Limited, Progressive Meats Limited, Silver Fern Farms Limited, ANZCO Foods Limited, Rabobank New Zealand Limited, Greenlea Premier Meats Limited and ANZ Bank New Zealand Limited. It was established for the purposes of Research & Development Services. Beef + Lamb New Zealand Limited funding for the 2018 financial year was \$3,417,414. (2017: \$3,323,970).



Notes to the Financial Statements

For the year ended 30 September 2018

(b) Transactions and balances with other related parties

New Zealand Meat Board

Beef + Lamb New Zealand Limited utilises New Zealand Meat Board offices located in Brussels for market access and market development work. These costs are paid to the New Zealand Meat Board as noted below.

	2018	2017
In thousands of New Zealand dollars		
Service fee: overseas offices	469	326

All Beef + Lamb New Zealand Limited Farmer and Industry Directors are also Directors of the New Zealand Meat Board.

New Zealand Meat Board funding to Beef + Lamb New Zealand Ltd for the 2018 financial year was \$5,1 million, consisting of \$1.8 million operating grant and \$3.3 million capital grant (2017: \$5.2 million being \$1.9 million operating grant and \$3.3 Million capital grant).

At balance date, the New Zealand Meat Board owed Beef + Lamb New Zealand Limited \$24,493 for expenses incurred on their behalf (2017: \$51,529) and \$458,276 for Grant funding being \$102,276 capital grant and \$356,000 operating grant (2017: \$572,305, being \$274,000 operating grant and \$298,305 Capital Grant).

Beef + Lamb New Zealand Incorporated

Sam McIvor and Sam Lewis are Beef + Lamb New Zealand Limited's representatives on the Board of Beef + Lamb New Zealand Incorporated (B+LNZ Inc). Beef + Lamb New Zealand Limited jointly funds with meat processors and retailers the domestic generic promotion activities of B+LNZ Inc. Beef + Lamb New Zealand Limited funding for the 2018 financial year was \$700,000 (2017: \$700,000). Beef + Lamb New Zealand Limited also paid \$65,000 for other work in 2018 (2017: \$131,624).

Key management personnel compensation and other transactions

Key management personnel compensation is set out below. The key management personnel are the Directors of the company, the Chief Executive Officer and the direct reports to the Chief Executive Officer.

Group

	2018		2017	
In thousands of New Zealand dollars				
	Remuneration	Number	Remuneration	Number
Directors	336	9	315	9
Senior Executive Team	2,692	17	2,631	15

Directors receive fees as disclosed in the Statutory Disclosures. The Senior executive team are on a standard employee contract.



Notes to the Financial Statements

For the year ended 30 September 2018

15. Commitments

The Group leases office premises, motor vehicles and office equipment. As the lessor retains all risks of ownership, these leases are classified as operating leases. Operating lease costs are expensed in the period in which they are incurred. The Group does not have any finance leases.

Operating leases

The lease commitments are based on current rentals. Beef + Lamb New Zealand Limited leases premises in Wellington, in regional New Zealand locations with lease terms of 1-6 years. Some motor vehicles and office equipment are also leased.

Beef + Lamb New Zealand Limited's non-cancellable lease commitments are as follows:

In thousands of New Zealand dollars	Group		Parent	
	2018	2017	2018	2017
Within 1 year	899	1,067	871	1,039
Within 1-2 years	747	742	719	714
Within 2-5 years	1,397	1,581	1,314	1,498
Later than 5 years	204	478	158	404

Funding and contractual commitments

Beef + Lamb New Zealand Limited is committed to contribute funding to Pastoral Genomics Research Consortium, B+LNZ Genetics Ltd, Pastoral Greenhouse Gas Research Consortium, and Red Meat Profit Partnership.

In thousands of New Zealand dollars	Group		Parent	
	2018	2017	2018	2017
Within 1 year	9,520	12,966	11,770	8,534
Within 1-2 years	3,063	5,059	3,063	5,059
Within 2-5 years	1,623	2,980	1,623	2,980

In addition to above, the New Zealand Meat Board has made grant funding available to Beef + Lamb New Zealand Limited from capital of up to \$10 million for the Red Meat Profit Partnership following approvals at the 2013 Beef + Lamb New Zealand Limited annual meeting and a consultation process with livestock farmers.

Other contractual commitments

As at 30 September 2018, nil contractual commitments existed for overseas offices (2017: \$nil).

Capital commitments

There are no capital commitments as at 30 September 2018 (2017:\$ nil).



Notes to the Financial Statements

For the year ended 30 September 2018

16. Contingencies

There are no contingencies.

17. Events Occurring after Balance Sheet Date

There were no significant events after balance sheet date that would have a material impact on the financial statements



Notes to the Financial Statements

For the year ended 30 September 2018

18. Reconciliation of Surplus/(deficit) to Net Cash Flow from Operating Activities

	Group		Parent	
	2018	2017	2018	2017
In thousands of New Zealand dollars				
Reported surplus/ (deficit) after taxation	1,883	(687)	1,917	(1,083)
Add/(less) non-cash items:				
– Depreciation	147	190	113	165
– Software amortisation	188	105	188	105
– Write off of Intangible Asset	9	-	9	-
– (Gain)/ loss on disposal of Fixed assets	4	-	4	-
– Fair value movement in derivatives	2	(104)	2	(104)
– Increase/(decrease) in provisions for non-current employee benefits	-	(42)	-	(42)
– Increase/(decrease) in Restructuring provision	(183)	(513)	(183)	(513)
– (Increase)/ decrease in term receivables	(19)	(66)	(19)	(66)
– Increase/(decrease) in short-term employee entitlements	(1)	(163)	1	(181)
	147	(593)	115	(636)
Add/(less) movements in other working capital items:				
– (Increase)/ decrease in accounts receivable exchange	1,214	(1,608)	(306)	826
– (Increase)/ decrease in accounts receivable non exchange	(27)	340	74	-
– Increase/(decrease) in accounts payable	(134)	1,414	(8)	1,592
– Increase/(decrease) in accrued lease incentive	21	131	21	131
– Increase/(decrease) in deferred income	148	(163)	148	(109)
	1,222	114	(71)	2,440
Add/(less) items classified as investing or financing activities:				
Proceeds from Sale of Fixed Assets	-	-	1	-
Net cash flows from operating activities	3,252	(1,166)	1,961	721



Statutory Disclosures

For the year ended 30 September 2018

STATUTORY DISCLOSURES

Disclosure of Interests by Directors

In accordance with section 140(2) of the Companies Act 1993, the Directors have made general disclosures of their relevant interests for entry in the Groups interest register.

Directors have disclosed interests in transactions with associated and subsidiary companies and these are disclosed in Note 11 to the Financial Statements.

All of the Directors of Beef + Lamb New Zealand Limited are directors of the New Zealand Meat Board and Meat & Wool Trust Ltd.

Board of Directors Fees

	2018 (\$000)	2017 (\$000)
Chairman	69	69
Deputy Chairman	-	42.7
Directors	33.4	32.7
Beef + Lamb NZ Genetics Ltd (Group Only)	35	35
— Independent Chairman	15	15
— Independent Directors		

The above fees represent the annualised fees payable to Directors. Beef + Lamb New Zealand Limited pay no other fees to Directors for their representation on subsidiary or other related organisations.

Directors' Indemnity and Insurance

In accordance with section 162 of the Companies Act 1993 and the constitution of Beef + Lamb New Zealand Limited, the company has insured all its Directors and Officers against liabilities to other parties that may arise from their positions as Directors of the company. This insurance does not cover liabilities arising from criminal actions and deliberate and reckless acts or omissions by the Directors.

Use of Company Information by Directors

No notices were received from Directors pursuant to section 145 of the Companies Act 1993 requesting use of company information received in their capacity as Directors which would otherwise not have been available to them

Statutory Disclosures

For the year ended 30 September 2018

Employee Remuneration

Set out below is the number of employees of Beef + Lamb New Zealand Limited and its subsidiaries who received remuneration and other benefits of \$100,000 or more during the year in their capacity as employees. The remuneration of staff resident outside New Zealand has been converted to New Zealand dollars for the purpose of this disclosure.

Remuneration Range (\$,000)	Number of Employees			
	2018		2017	
	Continuing	Discontinued	Continuing	Discontinued
100-109	8	2	8	-
110-119	4	-	1	-
120-129	2	-	4	-
130-139	5	-	4	-
140-149	2	-	2	-
150-159	1	-	2	-
160-169	1	-	2	-
170-179	3	-	2	-
180-189	1	-	1	-
190-199	1	-	1	-
200-219	1	-	1	1
220-229	2	-	1	-
270-279	1	-	1	-
280-289	-	-	1	-
310-320	-	-	-	2
330-339	1	-	-	-

The Honoraria, Remuneration & Expense Committee of the company's Board approves the company's remuneration policy.

Subsidiary and Associated Company Directors

The following persons held the office of Director of the respective subsidiaries and associates during the year to 30 September 2018. Directors appointed (A) or who resigned (R) during the year are indicated. Staff appointments do not receive Directors fees or other benefits as a Director.

B+LNZ Clover Company Ltd	Sam Mclvor
B+LNZ Emissions Company Ltd	Sam Mclvor
B+LNZ Investments Ltd	Sam Mclvor
North Canterbury Future Farm Management Ltd	Sam Mclvor, Kate Acland, Carl Forrester, Simon Lee (all appointed)
Primary Resources Ltd	Andrew Morrison (A), James Parsons (R)
B+LNZ Genetics Ltd	Chris Kelly (Chairman), Leon Black (R), Bob Thompson, Greg Murison, James Parsons, George Tatham (A)
Beef + Lamb New Zealand Inc	Sam Lewis
Meat and Wool Trust Ltd	Kirsten Bryant, Melissa Clark-Reynolds , Mark Clarkson, Sam Lewis, Andrew Morrison, James Parsons (R), George Tatham, Philip Smith, Bill Wright, Martin Coup(A)
Red Meat Profit Partnership General Partner Ltd.	Malcolm Bailey, Graham Brown, Alan McDermott Sam Mclvor Jane Smith, George Tatham, Bob Cottrell, Wayne Allan
Pastoral Genomics Ltd	Bill Wright
Pastoral Greenhouse Gas Research Ltd	Andrew Morrison



Independent Auditor's Report

To the stakeholders of Beef + Lamb New Zealand

Report on the company and group financial statements

Opinion

In our opinion, the accompanying financial statements of Beef + Lamb New Zealand (the company) and its subsidiaries (the group) on pages 1 to 26:

- i. present fairly in all material respects the group's financial position as at 30 September 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying financial statements which comprise:

- the company and group statement of financial position as at 30 September 2018;
- the company and group statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other advisory services in relation to market development value chain services. This matter has not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.



Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Financial Statements. Our opinion on the company and group financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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



Use of this independent auditor's report

This independent auditor's report is made solely to the stakeholders as a body. Our audit work has been undertaken so that we might state to the stakeholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the stakeholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/>

This description forms part of our independent auditor's report.

KPMG
Wellington

5 December 2018