

AUS-MEAT Limited

"Adding Value through Quality Management Partnerships"



AUS-MEAT

L i m i t e d

2004



ABN 44 082 528 881

AUS-MEAT Limited

AUS-MEAT Limited is a supplier of Quality Management Systems to Meat, Livestock & Non-Livestock Agricultural Production and Processing Industries.

CERTIFICATION SERVICES

- Abattoir - Boning - Wholesaler - Processor - Cold Store - Non Packer Exporter

AUDITING SERVICES

- ON FARM FOOD SAFETY CATTLECARE- Flockcare - National Feedlot Accreditation Scheme - Johnes Animal Health Market Assurance Program - Freshcare - Livestock Production Assurance.

- NATIONAL SALEYARDS QUALITY ASSURANCE

- ANIMAL WELFARE

- MEAT STANDARDS AUSTRALIA

- TRAINING SERVICES (Registered Training Organisation).

- INTERNATIONAL SERVICES UN/ECE Meat Standards - New Zealand Meat Classification - Brazil Meat Certification



www.ausmeat.com.au



ABN 87 870 555 940

AUS-QUAL Pty Ltd

AUS-QUAL is a JASANZ Accredited Certification Body providing services for:

MANAGEMENT SYSTEM CERTIFICATION.

- Quality Management Systems - ISO 9001-2000.
- Food Safety (HACCP) Management Systems - PrimeSafe Victoria.

PRODUCT CERTIFICATION SYSTEMS.

- EUREPGAP Protocol - Fruit and Vegetables

AUS-QUAL also provides Non-Accredited Certification for:

Food Safety (HACCP) Management Systems in the primary, secondary and tertiary food industry sectors.



ABN 44 082 528 881

ANNUAL REPORT

AUS-MEAT Limited
ACN 082 528 881

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2004

C ontents

| | | |
|-----------|--|-------------------------------|
| 3 | | Directors' Report |
| 6 | | Directors' Declaration |
| 7 | | Chairman's Report |
| 10 | | Financial Statements |
| | | |

DIRECTORS' REPORT

Your directors present their report on the company for the year ended 30 June 2004.

The names and details of the directors of the company in office during the year are:

Mr Roy Anthony Wharton B.Sc. (Chairman from 27th August 2002)



Mr. Wharton joined the company as director on 27 October 1999. He has long been associated with the meat industry in New Zealand and Australia and has held positions on numerous Boards including Food Science Australia, the Meat Research Corporation and the Meat Industry Council. Mr Wharton has also served as a Director and the Chief Executive Officer of Queensland Abattoir Corporation. He is also currently the Chairman of the Australian Meat Industry Language & Standards Committee.

Mr Grant Edmonds



Mr. Edmonds joined the company as Director in June 1998. Mr Edmonds is the Chief Executive Officer of the Edmonds Meat Group in Young, NSW. His involvement in the meat and livestock industry includes acting as Secretary/Treasurer of the National Meat Association of Australia, and is currently a Director of Australian Meat Processors Corporation.

Mr Alan Bloxsom



Mr. Bloxsom joined the company as director on 15th April 2003. He is currently an employee of Meat & Livestock Australia where he holds the position of General Manager – Industry Systems. Mr Bloxsom has over 30 years experience in the meat industry and has held senior positions with WR Grace Australia Ltd, Australian Meat & Livestock Corporation, Mid Coast Meat Co, and CEO of Hereford Prime Ltd.

Mr Mark Edward Spurr



Mr. Spurr joined the company as director on 4th November 2002. He also holds the position of Managing Director of Meat & Livestock Australia Limited. Mr Spurr has extensive corporate experience in the international agri-food industry. He has held a number of senior roles with Goodman Fielder, including managing director of its global gelatin business and general manager of the NAFTA region, based in the USA. Prior to that he held executive positions in the food industry in Australia and South America. He is also a director of MLA Donor Company Limited.

Mr Donald Ferguson



Mr. Ferguson joined the company as director on 27th August 2002. He also holds the position of Director for Australian Meat Processors Corporation and Chairman for Australia Meat Holdings Pty Ltd.

DIRECTORS' REPORT

(continued)

Directors' Meetings

The number of directors' meetings for the year and the number of meetings attended by each director were as follows:

| Number of Meetings: | 5 | No. of Meetings Whilst a Director |
|-------------------------------------|----------|--|
| Number of Meetings Attended: | | |
| Mr R. Wharton | 5 | 5 |
| Mr G. Edmonds | 4 | 5 |
| Mr D. Ferguson | 5 | 5 |
| Mr M.Spurr | 4 | 5 |
| Mr A.Bloxsom | 4 | 5 |

Review of Operations

A review of the operations of the company during the financial year and the results of those operations are as follows:

The profit of the company for the financial year was \$13,329. This result was \$12,241 lower than the annual budget prepared for the year. Revenue for the year was 3% lower than budget.

The principal activities of the company during the financial year were:

- to keep and maintain meat industry Standards
- to provide quality assurance auditing services to the food industry
- to provide consultancy services to the food industry
- to produce meat industry publications for industry distribution

No significant change in the nature of these activities occurred during the year.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the company during the financial year.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

DIRECTORS' REPORT

(continued)

Significant Events After Balance Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

Environmental Regulation

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends and Options

No dividends were declared or paid during the financial year, and none will be payable as the company is limited by guarantee and precluded from paying dividends.

No options over interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnification and Insurance of Directors and Officers

During the year the company held an insurance policy covering all directors, secretaries, executive officers, other employees acting under director's instructions, members of boards, councils, committees or other bodies established or funded by AUS-MEAT Limited against any legal claim brought against them while acting for the company for which they may have been held personally liable. The insurance cover extended to \$10,000,000 for any one claim.

Signed in accordance with a resolution of the Board of Directors:



Director

A. Wharton

Dated this 11th day of October 2004

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 28:
 - (a) comply with accounting standards and the Corporations Act 2001; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

A. Wharton

Dated this 11th day of October 2004

CHAIRMAN'S REPORT



I have pleasure in submitting the Annual report of AUS-MEAT Limited for the year ended 30 June 2004.

The company, in its sixth year of operation recorded a profit from ordinary activities of \$13,329. This result was \$12,241 lower than the annual budget prepared for the year but represents a good result when taking into account the adverse affect drought played on the budget figures in the first six months of the fiscal year. The impact on traditional meat Industry auditing was significant resulting in monthly financial losses through until January 2004.

Fortunately the decline in the Australian meat processing business was more than offset by the positive growth in new business both off-shore in New Zealand and in the Australian Horticulture Industry. The revenue from auditing the Fruit and Vegetable Food Safety Program (Freshcare) exceeded \$461k. Also of direct benefit to the end of the year result was a "rental holiday" negotiated for the renewal of the office lease for 9 Buchanan Street.

Whilst in many respects it has been a difficult year operationally, the result is in keeping with the Budget for 2003/2004 and reflects the modest operating profit for each year as set out in the three year operating plan approved in 2002. The plan takes into account the negative influences and continued downturn in income from the traditional meat industry, due to ongoing rationalization within the processing sector, and the continual migration of processors into the A plus status resulting in reduced audits.

On the Investment front the fluctuating interest rates and uncertainty in the financial markets caused the Directors to secure funds in a conservative investment portfolio returning just over 4 percent annualised compared to 7 percent the previous year.

Despite the uncertain times, the company managed to sustain its business and continued to play an important role not only as the Custodian of Industry owned Standards but in the delivery of commercial services to the broader Agricultural Industry.

For my part as Chairman, it is most pleasing to report that the relationship with the Australian Meat Industry Language and Standards Committee (Committee) remains strong as the representatives from the Peak Industry Councils on the Committee work diligently to develop and underpin evolving Standards with Quality Assurance systems and procedures. The commitment and dedication by AUS-MEAT staff responding to the Committee to complete new Standards for the selection of Budget Beef for the domestic market demonstrates the role and value of AUS-MEAT and the industry controlled Committee in developing practical solutions for truth of labelling, and product integrity.

The legislative underpinning of the AUS-MEAT Language and the preservation of the co-regulatory model has been a long standing issue under review by the Federal Government and the rate of progress with the review of the Meat Export Orders remains a matter of expressed concern not only to the Directors of the company but to the wider industry.

On a positive front, the engagement of AUS-MEAT by MLA to deliver the registration process for the Livestock Production Assurance program was completed to a tight time frame and operating on-line to coincide with the 01 March 2004 commencement date resulting in 77,198 registrations by 30 June 2004.

CHAIRMAN'S REPORT

(continued)

This reflects the diversity of skills within the company and the ability to value-add outside traditional Industry services. AUS-MEAT via its Subsidiary Company AUS-QUAL Pty Ltd has again provided a range of certification services under its JASANZ Accreditation to a growing number of processors and producers seeking ISO 9000:2000.

These services have been further enhanced this year by AUS-QUAL becoming a Certifying Body for Eurepgap under an expansion of scope to include Horticulture.

Eurepgap is an initiative of a consortium of major European Supermarket chains (Eurep), whose objective is to introduce a Standardised mechanism for assessing compliance with Good Agriculture Practice (GAP), into their global supply chains.

AUS-QUAL in response to market interest made application and has been awarded Provisional recognition against the International Standard, ISO Guide 65 for the Fruit and Vegetable program. The next step will be to expand into the "Integrated Farm Assurance" arena in order to provide certification services to livestock producers.

The inclusion of these services into a suite of Certification Programs contained within AUS-MEAT/AUS-QUAL is consistent with the commitment of the company to provide a one stop shop for Industry as customers/consumers worldwide request independent confirmation/certification relative to food safety and product integrity.

AUS-MEAT in turn is required to maintain its own Business Management System to meet the ISO 9000:2000 International Standards and has continued to be certified by Lloyds Register Quality Standards (LRQA).

In acknowledgement of the new and expanding services the Directors considered it prudent to communicate the successes to a wider audience. The first "Industry Information Session" was held in conjunction with the Western Australia Meat Authority in Perth on 20 November 2003.

The forum was well supported with a range of topics all linked to delivery systems or processes involving AUS-MEAT/AUS-QUAL.

As a direct outcome of the forum the WA Processors worked with producers, Livestock Agents and Saleyards to embrace the minimum Standards for grainfed beef resulting in more than 30 additional Feedlots becoming accredited under the National Feedlot Accreditation Scheme (NFAS).

The NFAS also this year celebrated "Ten Years of Leadership" representing an example of the long standing partnership between AUS-MEAT, ALFA and the Feedlot Industry.

The success of NFAS stems from the fact that it not only embraces industry owned Standards but it takes into account the wider community issues. The fact that the coveted Feedlot of the Year competition has now adopted the NFAS Standards as the basis for measuring performance recognises the depth of quality culture that now underpins product integrity and the production systems associated with grainfed cattle.

It is pleasing therefore to report that the role played by AUS-MEAT remains relevant in all sectors of the Australian Industry and Internationally.

CHAIRMAN'S REPORT

(continued)

The Chief Executive Ian King has again served as Vice-Chairman of the UNECE International Specialised Committee for the Standardisation of Meat. The Committee this year has completed the International Standards for Ovine Carcasses and Cuts and has commenced the revision of Standards for Porcine meat products.

In terms of National Standards the 3rd Edition of the Users' Guide to Australian Meat was published in 2003 and launched at the Perth Industry forum. The publication has since been adopted by MINTRAC as a training resource and remains in constant demand from the Hospitality Industry, Wholesalers, Food Service and Educational Institutes. (Total Income from Publications was \$179k).

The policy adopted by the Board of seeking as much business as possible from outside traditional Australian meat industry activity, has continued to lessen the cost impact of maintaining the Language,

The Board is firmly of the view that the successful outcome for 2004 has only been achieved as a direct result of the continued high level of commitment, professionalism and loyalty from Staff and the Chief Executive who are dedicated to the Australian Meat and Livestock Industry. May I therefore on behalf of the Board congratulate Ian King and the entire AUS-MEAT Team for their sustained valuable contribution throughout the year.

Finally in acknowledgement that the ultimate success of the Company results from the utilisation of our commercial services by industry stakeholders, and others who use our services, on behalf of the Board of Directors I wish to thank our Producer and Processor clients for their continued support.

T Wharton
Chairman
AUS-MEAT Limited

AUSTRALIAN MEAT INDUSTRY LANGUAGE AND STANDARDS COMMITTEE

The Directors of the Company wish to acknowledge the valuable contribution made by the Australian Meat Industry Language and Standards Committee in providing advice to the Board on matters relating to the AUS-MEAT National Accreditation Standards.

The Australian Meat Industry Language and Standards Committee, comprising of representatives from the Australian Meat Council, National Meat Association of Australia, Cattle Council of Australia, Sheepmeat Council of Australia, Australian Lot Feeders' Association, Australian Pork Limited, Supermarkets Institute, and Meat Standards Committee provides the forum for converting Industry Policy into practical, workable Industry-owned National Standards.

The Directors view the role of the Australian Meat Industry Language and Standards Committee as vital to the successful implementation and universal adoption of the Standards by Industry.

The successful implementation this year of the Standards for the Selection of Budget Beef for the domestic market is an example of the valuable role the Committee continues to play in the evolution of Standards underpinned by quality management systems.

The members of the Australian Meat Industry Language and Standards Committee are:

Mr R. A. Wharton
CHAIRMAN AUS-MEAT

Mr. Tony Wharton joined the company as director on 27 October 1999. He has long been associated with the meat industry in New Zealand and Australia and has held positions on numerous Boards including Food Science Australia, the Meat Research Corporation and the Meat Industry Council. Mr Wharton has also served as a Director and the Chief Executive Officer of Queensland Abattoir Corporation. He is also currently the Chairman of the AUS-MEAT Limited Board of Directors.

Mr Robert Green
CATTLE COUNCIL OF AUSTRALIA

Mr Robert Green is a Grazier based near Warra QLD and also serves on the Cattle Council of Australia. Mr Green joined the Committee in June 2003.

Mr Terry Brown
AUSTRALIAN PORK LIMITED

Mr Terry Brown is the General Manager, Marketing of Australian Pork Limited, based in Canberra.

Mr Malcolm Foster
ALFA

Mr Malcolm Foster is the General Manager of Rangers Valley Cattle Station. Mr Foster is Chairman of Feedlot Industry Accreditation Committee.

AUSTRALIAN MEAT INDUSTRY LANGUAGE AND STANDARDS COMMITTEE

(continued)

Mr Jon Hayes
AUSTRALIAN MEAT COUNCIL

Mr Jon Hayes is Managing Director of Norvic Food Processing, based in Wodonga VIC.

Mr Ian King
C.E.O. AUS-MEAT

Mr Ian King is the Chief Executive of AUS-MEAT Limited, Executive of AUS-QUAL Pty Ltd, Vice Chairman of the UN/ECE Specialised Committee on the Standardisation of Meat, Chairman of the UN/ECE Rapporteurs Committee and Council Member of EAN Australia Ltd.

Mr David Larkin
AUSTRALIAN MEAT COUNCIL

Mr David Larkin is the Managing Director of Pride Meat Exports (Australia) Pty Ltd based in Northcote, and Gippsland VIC.

Ms Julie Lloyd
SHEEPMEAT COUNCIL

Ms Julie Lloyd is a Grazier based in Kingston SA, Ms Lloyd is Chairman of Livestock Executive of South Australia Farmers' Federation, Member of MLA Live Shipping Research and Development Committee and Member of the South Australia Meat Industry Development Board.

Mr John Langbridge
MEAT STANDARDS COMMITTEE

Mr John Langbridge is an AQIS Veterinarian with responsibilities for the management of field meat inspection operations. Apart from representing Meat Standards Committee on this committee, he also represents Australia on Codex Meat Hygiene Committee.

Mr Terry Nolan
NATIONAL MEAT ASSOCIATION OF AUSTRALIA

Mr Terry Nolan is a Director of Nolan Meats based in Gympie QLD and is a Director of the Australian Meat Processors Corporation.

Mr Peter Talbot
SUPERMARKET INSTITUTE

Mr Peter Talbot has extensive experience within the Supermarket Industry.

Mr Peter White
NATIONAL MEAT ASSOCIATION OF AUSTRALIA

Mr Peter White is joint Chief Executive Officer of Australia Meat Holdings Pty Ltd and also serves on the Executive Committee of Australian Meat Industry Council.

AUS-MEAT Limited
ACN 082 528 881

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

| | Note | 2004 \$ | 2003 \$ |
|--------------------------------------|------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash Assets | 3 | 667,355 | 475,133 |
| Receivables | 5 | 608,027 | 572,781 |
| Investments | 6 | 3,582,990 | 3,569,048 |
| Other Current Assets | 7 | 406,907 | 274,220 |
| TOTAL CURRENT ASSETS | | <u>5,265,279</u> | <u>4,891,182</u> |
| NON CURRENT ASSETS | | | |
| Property, Plant and Equipment | 8 | 519,886 | 626,605 |
| Capitalised Trade Marks | 8 | 9,005 | 8,207 |
| TOTAL NON CURRENT ASSETS | | <u>528,891</u> | <u>634,812</u> |
| TOTAL ASSETS | | <u>5,794,170</u> | <u>5,525,994</u> |
| CURRENT LIABILITIES | | | |
| Payables | 9 | 490,550 | 254,819 |
| Provisions | 10 | 641,371 | 614,712 |
| TOTAL CURRENT LIABILITIES | | <u>1,131,921</u> | <u>869,531</u> |
| NON CURRENT LIABILITIES | | | |
| Provisions | 10 | 58,150 | 36,960 |
| TOTAL NON-CURRENT LIABILITIES | | <u>58,150</u> | <u>36,960</u> |
| TOTAL LIABILITIES | | <u>1,190,071</u> | <u>906,491</u> |
| NET ASSETS | | <u>4,604,099</u> | <u>4,619,503</u> |
| EQUITY | | | |
| Members' Funds | 11 | 4,797,861 | 4,797,861 |
| Reserves | 12 | 266,271 | 295,004 |
| Accumulated Losses | | (460,033) | (473,362) |
| TOTAL EQUITY | | <u>4,604,099</u> | <u>4,619,503</u> |

The accompanying notes form an integral part of this Statement

AUS-MEAT Limited
ACN 082 528 881

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004**

| | Note | 2004 \$ | 2003 \$ |
|--|------|-------------|-------------|
| Revenues from Ordinary Activities | 4 | 5,218,289 | 5,155,964 |
| Expenses from Ordinary Activities | 2 | (5,204,960) | (5,152,596) |
| Profit (Loss) from Ordinary Activities Before Income Tax Expense | | 13,329 | 3,368 |
| Income Tax Relating to Ordinary Activities | | 0 | 0 |
| Profit (Loss) From Ordinary Activities After Related Income Tax Expense | | 13,329 | 3,368 |
| Net Profit (Loss) | | 13,329 | 3,368 |
| Accumulated Losses at the Beginning of the Financial Period | | (473,362) | (476,730) |
| Accumulated Losses at the End of the Financial Period | | (460,033) | (473,362) |

The accompanying notes form an integral part of this Statement

AUS-MEAT Limited
ACN 082 528 881

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2004

| | Note | 2004 \$ | 2003 \$ |
|---|------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts From Customers | | 5,065,817 | 4,850,645 |
| Payments to Suppliers and Employees | | (4,827,634) | (5,199,925) |
| Interest Received | | 133,510 | 288,942 |
| NET OPERATING CASH FLOWS | 15 | 371,693 | (60,338) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Payments for Plant & Equipment | | (150,731) | (423,111) |
| Payments for Other Non-Current Assets | | (44,155) | 0 |
| Proceeds from Sale of Fixed Assets | | 58,090 | 143,795 |
| Cash Outflow for Short Term Deposits | | (90,669) | (240,659) |
| Proceeds from Short Term Investments | | 76,727 | 200,000 |
| NET INVESTING CASH FLOWS | | (150,738) | (319,975) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from Members | | 0 | 0 |
| Proceeds from Other Parties | | 0 | 0 |
| Transfer from Capitalisation Reserve | | 0 | (20,074) |
| Transfer from Redundancy Reserve | | (28,733) | (27,670) |
| NET FINANCING CASH FLOWS | | (28,733) | (47,744) |
| NET INCREASE IN CASH HELD | | 192,222 | (428,057) |
| Cash held at Beginning of the Financial Year | | 475,133 | 903,190 |
| CASH HELD AT END OF THE FINANCIAL YEAR | | 667,355 | 475,133 |

The accompanying notes form an integral part of this Statement

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values and, except where stated, current valuations of non current assets.

Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

a) Income Tax

The company is an exempt entity under section 50-40 of the Income Tax Assessment Act 1997 and therefore is not liable for any income tax. The company is a non-profit organisation as it does not carry on business for the purpose of profit or gain to its members.

b) Investments

Non-current investments are brought to account at cost. The carrying amount of investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the market value or the underlying net assets of the investment. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

c) Plant and Equipment

Plant and equipment are brought to account at cost, less where applicable, any accumulated depreciation or amortisation.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

The depreciable amount of all fixed assets are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use.

AUS-MEAT Limited
ACN 082 528 881

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The depreciation rates used for each class of assets are:

| Class of Fixed Asset | Depreciation Rate Per Annum |
|----------------------|--------------------------------|
| Plant and equipment | 13-33% |
| Motor Vehicles | 15-20% |

d) Revenue Recognition

Revenue is recognised net of GST to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Control of goods has passed to the buyer.

Rendering of Services

Control of a right to be compensated for the services has been attained and the stage of completion can be reliably measured.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

e) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives received under operating leases are recognised as a liability. Lease payments received reduce the liability on a basis which is representative of the pattern of benefits derived from the rental property.

f) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

h) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

i) International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. The company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation.

The directors are of the opinion that the key differences in the company's accounting policies which will arise from the adoption of IFRS are:

- Impairment of Assets

The company currently determines the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the assets use and subsequent disposal. In terms of pending AASB 136: Impairment of Assets, the recoverable amount of an asset will be determined as the higher of fair value less costs to sell and value its use. It is likely that this change in accounting policy will lead to impairments being recognised more often than under the existing policy.

AUS-MEAT Limited
ACN 082 528 881

| | 2004 | 2003 |
|---|-----------|-----------|
| | \$ | \$ |
| NOTE 2: EXPENSES FROM ORDINARY ACTIVITIES | | |
| Salaries & Employee Benefits | 3,283,933 | 3,062,961 |
| Travel | 745,355 | 733,238 |
| Auditors Remuneration | 11,900 | 12,400 |
| Depreciation of Plant and Equipment | 227,744 | 234,174 |
| Doubtful Debts Provision Movement | (1,703) | 0 |
| Rental Expense on Operating Leases | 61,799 | 127,159 |
| Printing Costs | 86,360 | 139,155 |
| Telephones | 153,463 | 159,037 |
| Stock Writedown | 0 | 10,000 |
| Conference | 2,755 | 92,652 |
| General Insurance | 87,661 | 70,979 |
| Legal | 27,190 | 45,999 |
| Postage | 35,276 | 32,360 |
| Other | 483,227 | 432,482 |
| | 5,204,960 | 5,152,596 |

| | | |
|---------------------------------|---------|---------|
| NOTE 3: CASH ASSETS | | |
| Cash at Bank | 370,209 | 286,751 |
| Deposits at Call | 296,646 | 187,882 |
| Petty Cash | 500 | 500 |
| | 667,355 | 475,133 |

AUS-MEAT Limited
ACN 082 528 881

| | 2004 | 2003 |
|---|-----------|-----------|
| | \$ | \$ |
| NOTE 4: REVENUES FROM ORDINARY ACTIVITIES | | |
| Operating Activities | | |
| - Sale of Goods | 210,859 | 228,007 |
| - Contract Income from Ultimate Parent Entities | 1,300,000 | 1,400,000 |
| - Services Revenue | 3,583,873 | 3,280,422 |
| - Interest Received | 135,673 | 287,944 |
| | 5,230,405 | 5,196,373 |
| Non-operating Activities | | |
| - Profit (Loss) from the Disposal of Plant & Equipment | (12,116) | (40,409) |
| | (12,116) | (40,409) |
| Total Revenues From Ordinary Activities | 5,218,289 | 5,155,964 |
| NOTE 5: RECEIVABLES | | |
| Trade Debtors – External Parties | 487,876 | 453,172 |
| Less Provision for Doubtful Debts – External Parties | (40,297) | (42,000) |
| Amounts Receivable from: | | |
| – Ultimate Parent Companies | 160,448 | 161,609 |
| | 608,027 | 572,781 |
| NOTE 6: INVESTMENTS | | |
| Term Deposits | 1,275,276 | 1,312,394 |
| Managed Funds | 2,307,714 | 2,256,654 |
| | 3,582,990 | 3,569,048 |

AUS-MEAT Limited
ACN 082 528 881

| | 2004 | 2003 |
|---|-----------|-----------|
| | \$ | \$ |
| NOTE 7: OTHER CURRENT ASSETS | | |
| Work in Progress | 61,325 | 52,687 |
| Income Receivable | 79,557 | 107,371 |
| Sundry Loans | 121,548 | 0 |
| Prepaid Expenditure | 44,092 | 32,736 |
| Inventory - Cost | 63,498 | 32,971 |
| Less Provision for Stock Writedown | (10,000) | (10,000) |
| GST Receivable | 46,887 | 58,455 |
| | 406,907 | 274,220 |
| NOTE 8: PROPERTY, PLANT & EQUIPMENT | | |
| Plant & Equipment – Cost | 1,034,289 | 1,191,639 |
| Less Accumulated Depreciation | (514,403) | (565,034) |
| Total Plant & Equipment | 519,886 | 626,605 |
| Reconciliations of the carrying amounts of Plant & Equipment at the beginning and end of the current and previous financial year are as follows: | | |
| Carrying amount at the beginning | 626,605 | 621,872 |
| Additions | 191,232 | 423,111 |
| Disposals | (70,207) | (184,204) |
| Depreciation | (227,744) | (234,174) |
| | 519,886 | 626,605 |
| CAPITALISED TRADE MARKS | | |
| Carrying Amount at the Beginning | 8,207 | 0 |
| Additions | 3,655 | 13,678 |
| Less Amortisation | (2,857) | (5,471) |
| | 9,005 | 8,207 |

AUS-MEAT Limited
ACN 082 528 881

| | | 2004 | 2003 |
|-----------------|----------------------------------|-----------|-----------|
| | | \$ | \$ |
| NOTE 9: | PAYABLES | | |
| | Trade Creditors | 143,517 | 120,433 |
| | Accrued Expenses | 347,033 | 134,386 |
| | | <hr/> | <hr/> |
| | Total Payables | 490,550 | 254,819 |
| | | <hr/> | <hr/> |
| | | | |
| NOTE 10: | PROVISIONS | | |
| | Current Liabilities | | |
| | Provision for Annual Leave | 155,769 | 147,282 |
| | Provision for Long Service Leave | 485,602 | 467,430 |
| | | <hr/> | <hr/> |
| | | 641,371 | 614,712 |
| | | <hr/> | <hr/> |
| | Non-Current Liabilities | | |
| | Provision for Long Service Leave | 58,150 | 36,960 |
| | | <hr/> | <hr/> |
| | Total Employee Entitlements | 699,521 | 36,960 |
| | | <hr/> | <hr/> |
| | | | |
| NOTE 11: | EQUITY | | |
| | Members' Funds | 4,797,861 | 4,797,861 |
| | | <hr/> | <hr/> |

On 1st July 1998 funds to the value of \$4,884,902 were paid to the company under a Deed of Agreement between the Commonwealth of Australia and AUS-MEAT Limited. These funds were made up of \$3,500,000 in cash and \$1,384,902 in fixed assets at book value. Being limited by guarantee there is no share capital and the company is precluded from paying dividends.

Member's Guarantee

The company is limited by guarantee. If the company is wound up, the Constitution states that the maximum liability of each of the members is \$10. At 30 June 2004 the number of members was 6.

AUS-MEAT Limited
ACN 082 528 881

| | | 2004 | 2003 |
|--------------------------|--|---------|---------|
| NOTE 12: RESERVES | | \$ | \$ |
| Redundancy Reserve | | 266,271 | 295,004 |

On 1st July 1999 funds to the value of \$634,000 was paid to the company under a Deed of Agreement between the Commonwealth of Australia and AUS-MEAT Limited. This money was to be used by the company to establish a reserve in respect of redundancy entitlements of transferring AMLC employees.

The reserve movement of \$28,733 for the financial year reflects severance payments made to staff who retired during the year.

NOTE 13: LEASING COMMITMENTS

Non-cancellable operating leases contracted but not capitalised in the accounts.

| | | | |
|---|--|---------|---------|
| Payable | | | |
| - Not later than 1 year | | 131,447 | 167,372 |
| - Later than 1 year but not later than 2 years | | 167,372 | 167,372 |
| - Later than 2 years but not later than 5 years | | 334,744 | 502,116 |
| Minimum Lease Payments | | 633,563 | 836,860 |

AUS-MEAT Limited
ACN 082 528 881

NOTE 14: RELATED PARTY INFORMATION

Directors

The following persons held the position of director of the company during the financial year:

- Mr R. Wharton
- Mr G. Edmonds
- Mr M. Spurr
- Mr D. Ferguson
- Mr A. Bloxsom

The numbers of directors who received, or were due to receive, remuneration (including brokerage, commissions, bonuses, retirement payments and salaries, but excluding prescribed benefits disclosed later in this note as “retirement benefits”) directly or indirectly from the company or any related body corporate, as shown in the following bands were:

| | AUS-MEAT Limited | | AUS-MEAT Limited & Related Bodies | |
|-----------------------|------------------|------|--------------------------------------|------|
| | 2004 | 2003 | 2004 | 2003 |
| \$0 - \$9,999 | 0 | 6 | 0 | 1 |
| \$10,000 - \$19,999 | 4 | 2 | 0 | 0 |
| \$20,000 - \$29,999 | 0 | 1 | 0 | 2 |
| \$30,000 - \$39,999 | 1 | 0 | 3 | 2 |
| \$40,000 - \$49,999 | 0 | 0 | 0 | 1 |
| \$200,000 - \$209,999 | 0 | 0 | 0 | 1 |
| \$230,000 - \$239,999 | 0 | 0 | 0 | 1 |
| \$270,000 - \$279,999 | 0 | 0 | 1 | 0 |
| \$310,000 - \$341,999 | 0 | 0 | 0 | 1 |
| \$490,000 - \$499,999 | 0 | 0 | 1 | 0 |

| | | |
|--|------------|------------|
| Income received or due and receivable by all directors of the company | 2004 \$ | 2003 \$ |
| - From the Company | 86,810 | 77,381 |
| - From Related Bodies Corporate | 878,696 | 940,327 |

AUS-MEAT Limited
ACN 082 528 881

| | 2004 | 2003 |
|--|------|------|
| | \$ | \$ |

NOTE 14: RELATED PARTY INFORMATION (CONTINUED)

Amounts paid or payable to prescribed superannuation funds for the provision of retirement benefits for directors of the company

| | | |
|---------------------------------|--------|--------|
| - From the Company | 4,195 | 4,919 |
| - From Related Bodies Corporate | 17,775 | 26,566 |

Full particulars are not provided as the directors believe this would be unreasonable.

Ultimate Parent Entities

The company is owned 50% each by Meat & Livestock Australia and Australian Meat Processor Corporation.

Total income of \$1,999,926 (2003 - \$1,676,650) was receipted from the ultimate parent companies. This income is composed of \$1,300,000 (2003 - \$1,400,000) in respect of industry contracts, and \$699,926 (2003 - \$276,650) in commercial services.

Superannuation Entitlements

All employees are entitled to varying levels of benefits on retirement, disability or death. The company contributes to numerous superannuation plans in accordance with the Superannuation Guarantee Scheme. Employees contribute to the plans at various percentages of their wages and salaries. The company also contributes to the plans, generally at a rate of around 14% of salaries paid.

Transactions with Directors and Director's Corporations

Consulting and auditing services during the period of this report made under normal commercial terms and conditions were made to:

Burrangong Meat Processors Pty Ltd (\$9,020) of which Mr G. Edmonds is a director.

Australia Meat Holdings Ltd (\$77,456) of which Mr D. Ferguson is Chairman.

AUS-MEAT Limited
ACN 082 528 881

| | 2004 | 2003 |
|---|-----------|-----------|
| | \$ | \$ |
| NOTE 15: RECONCILIATION OF NET CASH FROM OPERATING ACTIVITIES WITH PROFIT FROM ORDINARY ACTIVITIES | | |
| Profit from Ordinary Activities After Income Tax | 13,329 | 3,368 |
| <i>Non cash flow items in operating profit</i> | | |
| - Depreciation / Amortisation | 230,601 | 236,910 |
| - Loss on Sale of Property, Plant & Equipment | 12,116 | 40,409 |
| - Increase (Decrease) in Doubtful Debts Provided | (1,703) | 0 |
| <i>Changes in Assets and Liabilities</i> | | |
| - Decrease (Increase) in Receivables | (33,544) | (55,624) |
| - Decrease (Increase) in Other Current Assets | (132,688) | (29,767) |
| - Increase (Decrease) in Payables | 235,733 | (334,670) |
| - Increase (Decrease) in Provisions | 47,849 | 79,036 |
| <i>Net Cash From Operating Activities</i> | 371,693 | (60,338) |

NOTE 16: ECONOMIC DEPENDENCY

The company is economically dependent on its member bodies, Meat & Livestock Australia and Australian Meat Processors Corporation as it received grants to the value of \$1,300,000 during the financial year to run various industry programs.

NOTE 17: DISCLOSURE OF SPECIFIC REVENUES & EXPENSES

a) Fringe Benefits Tax Rebate

As stated in note 1a), AUS-MEAT Limited is an exempt entity under section 50-40 of the Income Tax Assessment Act 1997 and is therefore not liable to income tax. Further to this, the company received a ruling from the Australian Taxation Office (ATO) in March 2001 that it is a rebateable employer under paragraph 65J(1)(1) of the Fringe Benefits Tax Assessment Act 1986. This means that the company is able to claim a 48% rebate from the ATO on all fringe benefits tax payable. This ruling is applicable from 1st July 1998, when the company commenced trading. The primary reason for this rebate is to compensate the company for the fact that it is not able to claim an income tax deduction for the fringe benefits tax it pays.

AUS-MEAT Limited
ACN 082 528 881

NOTE 18: FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities, is as follows:

| | Weighted Average Effective Interest Rate | | Floating Interest Rate | | Fixed Interest Rate Maturing | | | |
|-------------------------------|--|------|------------------------|---------|------------------------------|-----------|--------------|----|
| | 2004 | 2003 | 2004 | 2003 | Within 1 Year | | 1 to 5 Years | |
| | % | % | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | | | | |
| Cash at Bank | 3.2 | 3.2 | 667,355 | 475,133 | - | - | - | - |
| Investments | 3.5 | 7.0 | - | - | 3,582,990 | 3,569,048 | - | - |
| Total Financial Assets | | | 667,355 | 475,133 | 3,582,990 | 3,569,048 | - | - |

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to and forming part of the financial statements.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) Net Fair Values

The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to and forming part of the financial statements.

AUS-MEAT Limited
ACN 082 528 881

NOTE 19: OTHER INFORMATION

The company is incorporated in Australia under the Corporations Act 2001. The address of the registered office of the company and its principal place of business is 9 Buchanan Street, South Brisbane, 4101. The number of employees of the company at 30th June 2004 was 39.

NOTE 20: SEGMENT REPORTING

The company operates in the meat and fresh produce industries throughout Australasia within one business and geographical segment.

NOTE 21: CONTINGENT LIABILITIES

There are no contingent liabilities in respect of the company.

AUS-MEAT Limited
ACN 082 528 881
INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF AUS-MEAT Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for AUS-MEAT Limited, for the year ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the partners. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- Assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the partners.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

AUS-MEAT Limited
ACN 082 528 881

Independence

In conducting our audit, we followed applicable independence requirements of Australian ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of AUS-MEAT Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.

Bentleys MRI
Brisbane Partnership



R J Forbes
Partner

Dated: 11th October 2004

Brisbane