



# NEW ZEALAND MEAT BOARD

## Contents

Chairman and Chief Executive's Report	1
Board of Directors	5
Financial Statements	6
Use of Statutory Powers	20

Mike Petersen  
Chairman



Mark Jeffries  
Chief Executive Officer



## Chairman and Chief Executive's Report

The New Zealand Meat Board achieved an operating surplus of \$1.6 million before the payment of Capital Reserve Funding of \$4.5 million for the year ended 30 September 2007.

After allowing for capital reserve funding the total net deficit for the year was \$2.9 million, which comprised a surplus of \$104,000 from quota management activities and a deficit of \$3 million from reserves management activities.

Under the Meat Board Act 2004, the Board has two key functions, Reserves Management and Quota Management.

Income generated from the New Zealand Meat Board reserves totalled \$5.9 million, down from \$8.5 million in the 2006 financial year. The key differences were as follows:

- The 2006 financial year included an unrealised gain on equities of \$2.7 million. Early in the 2007 financial year, the equity fund was exited for an additional \$304,000 above the 30 September 2006 book value, realising a gain of \$3 million in cash.
- Interest income for the year totalled \$5.6 million compared to \$5.1 million in the 2006 financial year. This increase was aided by the investment of funds in fixed interest securities in overseas markets, albeit at lower rates, and with a general increase in interest rates over the course of the last financial year.

- The 2006 financial year included a \$711,000 unrealised exchange gain at 30 September 2006.
- Interest income represented a 7.02% return on New Zealand fixed interest securities for the year.
- The average interest rate for our off-shore bond portfolio was 4.63%.

After a review of the Board's Treasury Policy in January 2007, the Future Directions International Share Fund managed by AMP Capital was exited. This decision was based upon the Board's decision to reduce the volatility with equity investments.

NZ\$10 million equivalent was invested in offshore bonds, increasing the foreign currency denominated bond and interest bearing deposit holdings to the equivalent of NZ\$20 million. This represents some 34% of the total contingency fund, with the Board's rationale being that it was prudent risk management to hold fund investments offshore where the monies would be required in any contingent event. The Board acknowledges that there will be interest income forgone but has rationalised this with the current requirement of the contingency fund to support livestock farmers in any industry responses to contingent events, to have access to foreign currency deposits.

The Board incurred foreign exchange losses of \$847,000 in the current year. This is a translation loss on higher New Zealand dollar cross rates as at 30 September 2007, compared to one year previous. This loss is a non-cash loss and the purchasing power parity of those investments remains intact in those offshore markets.

The Board received \$1.6 million of recoveries from Meat & Wool New Zealand Ltd, being its share of operating costs in relation to market access activities and offices managed by the Board in Brussels, London and Washington.

Quota management recoveries totalled \$953,000, marginally down on the recoveries of one year previous.

The Statement of Financial Position shows equity of \$87.7 million (equity ratio 97%).

### Non-reserves Management

The Meat Board Act 2004 requires the Board to maintain a prudent level of net assets and to maintain and comply with the Reserves Policy.

The key points of the Board's Reserves Policy are:

- (a) The net assets of the Board should remain between \$55 million and \$60 million to ensure that there are funds available for prudent management of quota management activities (assessed at \$5 million); and

(b) To ensure that there are sufficient funds to cover the costs of the Board's obligations to maintain a contingency fund for the industry in the event of a major crisis impacting on the sheep and beef industries. Any surplus funds are available for investment in industry-good projects.

Currently the contingency fund is \$53.975 million for any major industry crisis, plus \$5 million for quota management activities.

Other reserve funds are used for special projects that collectively benefit farmers and the meat industry as endorsed during the 2003 Farmers' Choice Referendum, and included in the annual levy payer consultation programme each year. These are investments such as biotechnology through Ovita, Pastoral Genomics and AgResearch for the Bovine Genomics project, Paraco, and the National Animal Identification and Traceability (NAIT) joint venture.

The Board operates a conservative approach to managing the reserve funds, with liquidity and risk profiles carefully managed. Bonds are held to security and no trading of fixed interest securities is undertaken. The Investment Policy requires a spread of maturity profile between one and 10 years, and investments are only with Issuers who have a Standard & Poor's credit rating of A-1 or better.

### Reserves Policy Review

The Meat Board Act 2004 does not require consultation on the Reserves Policy unless changes are proposed. However, the Board invited submissions on the policy in March 2007. No responses were received.

Therefore the policy approved by the Board in 2005 remains current and can be reviewed on the Board's website, [www.nzmeatboard.org](http://www.nzmeatboard.org).

### Reserves Investment Consultation

Consistent with the requirements of the Meat Board Act 2004, farmers were consulted on the proposed investment of \$3.3 million in specifically industry-good projects to be undertaken by Meat & Wool New Zealand in

the 2006-2007 financial year.

The consultation process undertaken between June and August 2007 included a range of informal and formal public meetings held around New Zealand by Meat & Wool New Zealand Ltd, as well as the distribution of the publication Proposed Work Plan 2006-2007.

Feedback on the Plan was actively sought, and investment proposals were generally supported by farmers. The Board therefore approved investment in the following investment projects for the 2006-2007 year:

- Special project funding - \$6.5 million.
- Industry-good project funding to Meat & Wool New Zealand Ltd - \$3.3 million.

### Research & Development

In the past year New Zealand Meat Board Reserve funding has benefited the industry through the following projects:

#### • Ovita Consortium

Ovita was restructured in June 2006 and the rejuvenated consortium has two shareholders – Meat & Wool New Zealand and AgResearch. The new Ovita has a strong focus on genomics concerning animal health and the development of parasite biomarkers. Ovita's expertise and capability in genomics is dovetailed with a seamless path to commercialisation through Catapult Genetics. The research and development from 2007 identified a parasite gene marker which was launched by Catapult Genetics in October 2007. Coupled with this was the discovery of a parasite biomarker which will be further developed in 2007-2008.

Other research developments include the discovery of a gene marker for horns. In 2007 Ovita invested in a transformational technology - the Ovine SNP chip. This new technology will accelerate the current gene marker discovery time line and revolutionise the integration of genomic benefits to the sheep industry.

#### • Paraco Consortium

Paraco was set up by its shareholders Meat & Wool New Zealand Ltd, Wool Equities Ltd and AgResearch Ltd to commercialise solutions to parasite problems. It investigated three strategies:

- The isolation of a naturally occurring anthelmintic compound from the gut of sheep that have some resistance to gastrointestinal parasites.
- The development of a new method of testing new chemicals for anthelmintic properties.
- A vaccine against gastrointestinal nematode parasites.

The new anthelmintic testing method was successful and has led to new intellectual property, but the vaccine and natural anthelmintic compound did not warrant further development. The new testing method will be used to screen a series of compounds that show anthelmintic properties to identify new anthelmintic candidates for control of parasites in livestock.

#### • Pastoral Genomics

Pastoral Genomics is developing breeding technologies to deliver better clover and hybrids to New Zealand, devising ways of accessing the wider variety of traits for improved performance in clovers, and targeting increased biomass, drought tolerance, improved digestibility and better quality traits through cisgenics®.

Pastoral Genomics is also delivering biotechnologies for New Zealand forages. The researchers have mapped the genomes of New Zealand cultivars of clover and ryegrass and they are working with breeders to use these faster and more powerful tools for marker-assisted selection for improved cultivars for New Zealand's pastoral agriculture.

#### • Johne's Disease Consortium

Meat & Wool New Zealand has facilitated the establishment of the Consortium to bring together all

the research currently being done concerning this wasting disease estimated to cost up to \$88 million each year in lost production.

The Consortium, which has a number of partners, will consolidate New Zealand's research efforts on several fronts and will endeavour to accelerate outcomes. A significant industry investment has been made in the Consortium, including matching government funding.

### **National Animal Identification and Traceability (NAIT)**

Meat & Wool New Zealand has continued its involvement in the NAIT project. Much of the groundwork and analysis has been completed for the system to trace individual cattle and deer.

While producers have focused on the tagging of animals, there has been a need to ensure that an enhanced system will meet New Zealand's biosecurity needs into the future without imposing unreasonable costs on the industries involved. To that end both industry and government's needs have been closely examined and fine-tuned to ensure the maximum deliverables for minimum cost.

- **Bovine Genomics**

This cattle project has been successful in identifying DNA markers for resistance and susceptibility to facial eczema (FE). The work in dairy cattle continues to look very promising and is now funded by other parties, but Meat & Wool New Zealand Ltd still has a stake in the intellectual property.

## **Quota Management**

The Board continues to monitor and analyse any implications of legislative and regulatory developments that might have potential to impact on the quality of New Zealand's quota market access. Following are some of the highlights of the year:

### **Tariff Rate Quotas**

Certificates of Origin (COOs) issued by the New Zealand Meat Board for New Zealand sheepmeat and goatmeat exported to the European Union (EU) were up 1.7% by volume in the calendar year ended 31 December 2006 compared to the same period in 2005. This represents 99.8% of New Zealand's 227,854 tonne carcass weight equivalent (c.w.e) tariff quota.

The EU Directorate General for Taxation and Customs' (DG Taxud) final release for in-quota imports cleared into free circulation for the 2006 quota year was confirmed on 10 January 2007. New Zealand's sheepmeat and goatmeat quota balance remaining was recorded as 2,215 tonnes c.w.e (99.07%). This was an excellent result, considering that a number of COOs related to shipments arriving in Greece had to be cancelled late in December and reissued for product clearances in the 2007 quota year because of a port strike.

The US beef and veal tariff quota is 213,402 tonnes product weight. The quota year ended 31 December 2006 recorded 87.8% utilisation, based on the certificates issued by the New Zealand Meat Board. This was due to lower beef production in the 2005-2006 season.

The EU High Quality Beef quota year runs from 1 July to 30 June and is 1,300 tonnes product weight. The 2006-2007 quota year utilisation was 98% based on the certificates issued by the New Zealand Meat Board.

When the export year ended on 30 September 2007 the EU sheepmeat and goatmeat tariff rate quota market earned NZ\$1,536 million Free on Board (FOB) and the US beef and veal tariff rate quota

market earned \$759 million (FOB) of export receipts. These markets represented 63% and 42% of the total export receipts for sheepmeat and beef returns, respectively.

### **Opening the 2007 Sheepmeat Tariff Quota Regulation**

The New Zealand Meat Board Brussels office advocated for the early publication of the regulation opening the 2007 sheepmeat tariff quotas. However, as it was not published until 30 December, there were a number of requests to New Zealand Meat Board staff late in 2006 and early in the 2007 quota year from the European sheepmeat trade to clarify entry procedures and to assist in resolving delays for product clearance. The Board pressed DG Taxud for early attention to the issues and received positive support.

### **Collecting Securities on the Sheepmeat Quota**

Officials at Her Majesty's Revenue and Customs in the United Kingdom agreed to set the date for the collection of securities on New Zealand's (and other sheepmeat exporting countries) sheepmeat quota at 16 December 2006 based on New Zealand Meat Board estimates that New Zealand's sheepmeat quota utilisation would have by then reached around 96%. This move was advocated by importers in the United Kingdom (which remains New Zealand's largest EU market, taking 46% of total exports) to allow for better planning around arranging bank guarantees. This decision compared most favourably to the position taken in Continental European markets where the security (equal to the value of the out-of-quota tariff on imported product) was applied from 75% of quota fill.

The European Commission further relaxed the criteria determining the critical status of 'first come first served' quotas (the system under which the New Zealand sheepmeat and goatmeat tariff quota is administered) on 28 February 2007. Previously EU Member States could choose to require a security when 75% of the quota was filled, i.e. from the point at which the quota is

considered to have reached critical status. This level was raised to 90% from the beginning of March 2007. As the point at which a security is taken is still at the discretion of the EU Member States, the New Zealand Meat Board has continued to advocate that the threshold is increased beyond the 90% threshold.

The change in the threshold in this European Commission regulation can be credited in part to the collective efforts of the New Zealand Government and New Zealand Meat Board over the past three years in advocating for a relaxation of the requirement to collect a security where importation is supported by the effective third country administration of certification and data transfer, i.e. as occurs between the European Commission and the New Zealand Meat Board.

The New Zealand Meat Board continues to advocate for EU Member States to release security guarantees within the mandatory community timeframe of seven days.

### **Certification**

Following programme development throughout 2006-2007, the New Zealand Meat Board Brussels office is now issuing New Zealand sheepmeat and goatmeat COOs using the e-cert quota management system to generate efficiencies in data inputting and improve systems and management of data.

### **EU Market**

Sensitivities about New Zealand lamb in the European market were heightened during February to July 2007, with European farmers and industry concerned about much lower farmgate returns for lamb, compared to the highs of 2006. They have also been grappling with the impact of their internal agricultural policy reforms where decoupling of farm supports from production has led to declining flock numbers across the EU. The somewhat earlier pattern of New Zealand's shipments into Europe as a result of the drought, low farmgate returns in New Zealand and a generally

weaker global market environment on the back of increased exports from a drought-impacted Australian industry caught European producers by surprise. This was after a later than normal flow of exports in 2006. It came as a surprise to many that farmers in New Zealand were faced with very similar issues.

The visit to Europe in June 2007 of the Meat Board Chairman, to talk with many farming leaders, has helped to build some mutual understanding of the common issues faced by farmers from opposite ends of the world and to increase the dialogue between respective farming industries.

Regular meetings are held with key European Commission and EU Member State officials to ensure that New Zealand has strong relationships. This ensures that the relevant officials have a good understanding about New Zealand's role within the overall European market and are satisfied about the efficiency, integrity and independence of our quota administration systems.

### **Other Activities**

Other activities have included pursuing objectives to maintain, and where possible enhance, quota market access. Two areas that have been worked on in 2006-2007 are the enlargement of the EU from 25 to 27 member states on 1 January 2007 and the resulting case for compensation for loss of access to Bulgaria and Romania, and an industry objective to pursue an adjustment in the New Zealand definition for High Quality Beef exports to the EU.

### **Verification Activities**

The Board has continued its focus upon verification in reporting to the European Commission to ensure that international treaty obligations are managed and issues are communicated.

### **Data Exchange**

The New Zealand Meat Board continues to pursue the objective of robust, effective data reconciliation between DG Taxud imports recorded under 'first come first

served' and quota certification issued by the New Zealand Meat Board. This is in order to fully maximise use of the available market access and mitigate against data recording errors or fraud.

Development of and agreement on a procedure for the cancellation of lost and missing COOs with the support of DG Taxud was a positive step towards this overall objective.

The informal data-share arrangements with Her Majesty's Revenue and Customs in the United Kingdom have continued, and the Board is optimistic that there are some opportunities with the EU in Brussels to investigate a pilot data reconciliation mechanism for the sheepmeat quota to the EU.

### **Overseas Offices**

Washington, Brussels and London offices are maintained by the New Zealand Meat Board in the quota markets at a total annual cost of \$1.8 million. Back to back arrangements exist with Meat & Wool New Zealand Ltd, which uses these offices and resources for trade policy and market service activities. These costs are charged back to Meat & Wool New Zealand Ltd, with only the proportion of services relating to quota management being met by the New Zealand Meat Board.

### **Notice of Annual General Meeting**

This report will be presented at our Annual General Meeting to be held at the Novotel Hotel, 175 Cuba Street, Palmerston North at 3.30pm on Tuesday 11 March 2008.

## Board of Directors



### Mike Petersen (Chairman)

Farmer Representative,  
Eastern North Island  
Served since: 2004  
Term expires: 2008  
Telephone: 06 858 7230  
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### Jeff Grant

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Southern South Island  
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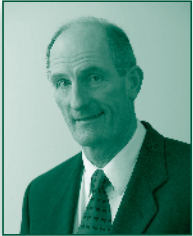
### Ron Frew

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Term expires: 2010  
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### David Douglas

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Term expires: 2010  
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### Tom Mandeno

Farmer Representative,  
Northern North Island  
Served since: 2004  
Term expires: 2009  
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### Andy Fox

Farmer Representative,  
Northern South Island  
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Term expires: 2009  
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### Colin Francis

Meat Industry Representative  
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### Owen Poole

Meat Industry Representative  
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### Alastair Bisley

Government Appointee  
Served since: 2004  
Term expires: 2009  
Telephone: 04 475 3014  
Email: alastair.bisley@paradise.net.nz



### Brian Lynch

Government Appointee  
Served since: 2004  
Term expires: 2010  
Telephone: 04 970 3444  
Email: brian.lynch@vuw.ac.nz

\* Served on New Zealand Meat Board prior to 1 July 2004

## GOVERNANCE STATEMENT

The Board is committed to a governance framework for the New Zealand Meat Board Limited that ensures the strategic guidance of the company, the effective monitoring of management by the Board, and the Board's accountability to the Company and the stakeholders (New Zealand farmers).

The principal functions of the Board of Directors are:

- setting the governance framework
- strategic planning and risk management
- monitoring
- authorisation
- fiscal control.

During the year the Board adopted the following governance objectives (which are in line with best practice principles recommended by the Securities Commission of New Zealand).

The Board will:

- lay solid foundations for management and oversight
- structure itself to add value
- promote ethical and responsible decision making
- use committees where this enhances its effectiveness in key areas, while retaining Board responsibility
- encourage enhanced performance
- safeguard the integrity of its reporting (both financial and business performance) and make timely disclosures on the New Zealand Meat Board's affairs
- ensure that the Company has appropriate processes to recognise and manage risk
- remunerate fairly and responsibly.

The Board has three standing committees to assist it in discharging its responsibilities:

- Audit & Risk Committee
- Honorary and Remuneration Committee
- New Entrant Allowance Committee.

These committees operate in accordance with their Board-approved charter, which is annually reviewed by the Board. Special ad hoc project committees are formed as required. All committees make recommendations to the Board.

The Board also maintains a formal set of delegated authorities that clearly define the responsibilities which are delegated to management and those which are retained by the Board. These delegated authorities are approved by the Board and are subject to formal review by the Board on a regular basis.

## Statement of Financial Performance

For the year ended 30 September 2007

		Reserves Management	Quota Management	Total	Reserves Management	Quota Management	Total
	Note	2007 (\$000)	2007 (\$000)	2007 (\$000)	2006 (\$000)	2006 (\$000)	2006 (\$000)
<b>INCOME</b>							
Investment Income	1	5,904	24	5,928	7,840	31	7,871
Foreign Exchange Gain	1	-	-	-	711	-	711
Service Fee Recoveries		-	1,607	1,607	-	1,828	1,828
Quota Management Recoveries		-	953	953	-	1,050	1,050
Other Income		-	1	1	-	20	20
<b>TOTAL INCOME</b>		<b>5,904</b>	<b>2,585</b>	<b>8,489</b>	<b>8,551</b>	<b>2,929</b>	<b>11,480</b>
<b>EXPENDITURE</b>							
Personnel Expenses - Overseas Offices		-	1,182	1,182	-	1,402	1,402
Personnel Expenses - Other		3	210	213	4	265	269
Board & AGM Costs		83	97	180	75	108	183
Other Operating Expenses - NZ*		143	226	369	99	286	385
Other Operating Expenses - Overseas*		-	647	647	-	646	646
Purchase of Foreign Currency option		122	-	122	-	-	-
Insurance		15	111	126	20	100	120
Foreign Exchange Loss	2	847	-	847	-	-	-
Fees (Audit, Legal and Consultancy)	2	63	8	71	33	52	85
<b>TOTAL OPERATING EXPENDITURE</b>		<b>1,276</b>	<b>2,481</b>	<b>3,757</b>	<b>231</b>	<b>2,859</b>	<b>3,090</b>
Grant Funding to Meat & Wool New Zealand Limited		3,168	-	3,168	3,201	-	3,201
Special Projects (Capital Reserve Funding)	19(a)	4,492	-	4,492	4,203	-	4,203
<b>TOTAL EXPENDITURE</b>		<b>8,936</b>	<b>2,481</b>	<b>11,417</b>	<b>7,635</b>	<b>2,859</b>	<b>10,494</b>
<b>NET OPERATING (DEFICIT)/SURPLUS BEFORE TAX</b>	2	<b>(3,032)</b>	<b>104</b>	<b>(2,928)</b>	<b>916</b>	<b>70</b>	<b>986</b>
Income Tax Expense	12	-	-	-	-	-	-
<b>NET SURPLUS/(DEFICIT) AFTER TAX</b>		<b>(3,032)</b>	<b>104</b>	<b>(2,928)</b>	<b>916</b>	<b>70</b>	<b>986</b>

\*Other operating expenses include the direct costs of the quota management functions provided by Meat & Wool New Zealand Limited and overseas office expenses of Brussels, London and Washington. Personnel expenses include the staff related costs of the same.

This statement is to be read in conjunction with the accounting policies and notes on pages 9 to 18.

## Statement of Movements in Equity

For the year ended 30 September 2007

		2007	2006
	Note	(\$000)	(\$000)
<b>EQUITY AT START OF YEAR</b>		<b>90,616</b>	<b>89,630</b>
Surplus/(Deficit) for the year		(2,928)	986
<b>EQUITY AT END OF YEAR</b>		<b>87,688</b>	<b>90,616</b>
<b>Comprises:</b>			
General Accumulated Funds- Quota Management		174	70
General Accumulated Funds- Reserves		28,539	32,792
<b>Total General Accumulated Funds for the New Zealand Meat Board</b>	3	<b>28,713</b>	<b>32,862</b>
Contingency Fund	3	58,975	57,754
		<b>87,688</b>	<b>90,616</b>

This statement is to be read in conjunction with the accounting policies and notes on pages 9 to 18.



## Statement of Financial Position

As at 30 September 2007

	Note	2007 (\$000)	2006 (\$000)
<b>EQUITY EMPLOYED</b>			
Contingency Fund	3	58,975	57,754
Accumulated Funds	3	28,713	32,862
<b>TOTAL EQUITY EMPLOYED</b>		<b>87,688</b>	<b>90,616</b>
Represented by:			
<b>CURRENT ASSETS</b>			
Cash at Bank		22	25
Short-term Deposits	4	19,917	18,139
Foreign Currency Deposits	4	2,979	-
Foreign Currency Derivatives	21	876	-
Domestic Fixed Interest Investments/Bonds	5	11,007	7,991
Trade Receivables/Prepayments/Accrued Interest	6	1,417	2,049
<b>Total Current Assets</b>		<b>36,218</b>	<b>28,204</b>
<b>NON-CURRENT ASSETS</b>			
Fixed Assets	7	75	98
Domestic Fixed Interest Investments/Bonds	5	34,201	40,296
International Fixed Interest Investments/Bonds	8	18,603	10,196
Foreign Currency Deposits	4	945	-
Investment in Unit Trust	9	-	14,218
<b>Total Non-Current Assets</b>		<b>53,824</b>	<b>64,808</b>
<b>TOTAL ASSETS</b>		<b>90,042</b>	<b>93,012</b>
<b>CURRENT LIABILITIES</b>			
Sundry Payables	10	2,271	2,396
Interest Rate Management Derivative		23	-
<b>Total Current Liabilities</b>		<b>2,294</b>	<b>2,396</b>
<b>TERM LIABILITIES</b>			
Interest Rate Management Derivative		60	-
<b>TOTAL LIABILITIES</b>		<b>2,354</b>	<b>2,396</b>
<b>NET ASSETS</b>		<b>87,688</b>	<b>90,616</b>



M C Petersen  
Chairman



A C D Fox  
Chairman Audit & Risk Committee

The Board of Directors authorised these financial statements for issue on 4 December 2007.

This statement is to be read in conjunction with the accounting policies and notes on pages 9 to 18.

## Statement of Cash Flows

For the year ended 30 September 2007

	2007	2006
	(\$000)	(\$000)
<b>OPERATING ACTIVITIES</b>		
<b>Cash was received from:</b>		
Receipts from Customers	2,823	2,969
Interest Received	6,070	5,854
Net GST Received	30	-
	<b>8,923</b>	<b>8,823</b>
<b>Cash was applied to:</b>		
Payments to Suppliers, Employees and Statutory Expenses	4,761	1,669
Net GST Paid	-	65
Industry Grant Funding to M&WNZ	2,500	3,443
Capital Reserve Funding to M&WNZ	3,474	4,684
	<b>10,735</b>	<b>9,861</b>
<b>Net cash flows from/(applied to) operating activities</b>	<b>(1,812)</b>	<b>(1,038)</b>
<b>INVESTING ACTIVITIES</b>		
<b>Cash was received from:</b>		
Maturing of Investments	8,000	8,029
Divestment of Unit Trust	14,531	-
Realised gain on offshore investments	122	-
Maturing Foreign Currency Hedge Contracts	14	-
Disposal of Fixed Assets	-	31
	<b>22,667</b>	<b>8,060</b>
<b>Cash was applied to:</b>		
Purchase of Investments	15,084	15,823
Purchase of Overseas Foreign Currency Deposits	998	-
Purchase of Fixed Assets	19	74
	<b>16,101</b>	<b>15,897</b>
<b>Net cash flows from/(applied to) investing activities</b>	<b>6,566</b>	<b>(7,837)</b>
<b>FINANCING ACTIVITIES</b>		
<b>Net cash flows from/(applied to) financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>	<b>4,754</b>	<b>(8,875)</b>
Add: Opening Cash Position 1 October	18,164	27,039
<b>Closing Cash Position 30 September</b>	<b>22,918</b>	<b>18,164</b>
<b>CASH AND CASH EQUIVALENTS COMPRISE</b>		
Cash at Bank	22	25
Short-term Deposits	19,917	18,139
Foreign Currency Deposits- Current	2,979	-
	<b>22,918</b>	<b>18,164</b>

This statement is to be read in conjunction with the accounting policies and notes on pages 9 to 18.

## Statement of Accounting Policies for the year ended 30 September 2007

### Reporting Entity

The New Zealand Meat Board operates under the Meat Board Act 2004. The object of the New Zealand Meat Board is to facilitate the capture of, for New Zealand and in the interests of the meat industry, the best possible ongoing returns available from quota markets and to manage the Board's reserves and other assets in the interests of livestock farmers (persons engaged in New Zealand in the business of farming sheep, cattle and goats for the purpose of producing meat).

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

### General Accounting Policies

The general accounting policies recognised by the New Zealand Institute of Chartered Accountants as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been followed in the preparation of these financial statements. Accrual accounting is used in the recognition of expenses and revenues. Reliance is placed on the fact that the New Zealand Meat Board is a going concern.

### Specific Accounting Policies

The specific accounting policies used in the preparation of these financial statements are as follows:

#### A. Investments

Investments, where there is both the positive intent and ability to hold to maturity, are recorded at cost or at cost adjusted for the amortisation of premiums or discounts. Premiums or discounts are capitalised and amortised from the date of purchase to maturity.

Investments not expected to be held to maturity are stated at market value, with the resulting gains or losses taken to earnings.

All other investments are stated at the lower of cost or net realisable value.

#### B. Fixed Assets

Fixed assets are stated at historical cost less accumulated depreciation.

#### C. Depreciation

Depreciation of fixed assets is calculated on a straight-line basis so as to allocate the cost of the assets over their useful lives as follows:

Leasehold improvements	5-15 years
Motor vehicles	5 years
Furniture & fixtures	3-15 years
Computer equipment & software	3-5 years

#### D. Revenue Recognition

Revenue is recognised when earned.

#### E. Foreign Currencies

Transactions in foreign currencies are converted at the New Zealand rate of exchange at the date of the transaction except where forward exchange contracts have been taken out.

At balance date, foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these translations are included in the Statement of Financial Performance.

Foreign currency derivatives outstanding at balance date are marked to market and the exchange variations arising from marking to market are included in the Statement of Financial Performance.

The financial statements of integrated foreign operations are translated to New Zealand dollars as if the underlying transactions had been entered into by the reporting entity.

Exchange rates to New Zealand dollars were:

	Statement of Financial Position		Statement of Financial Performance	
	(closing rate)		(approximated transaction rate)	
	2007	2006	2007	2006
UK Sterling	0.3689	0.3499	0.3642	0.3749
US Dollar	0.7483	0.6568	0.6430	0.6905
Euro	0.5286	0.5167	0.5160	0.5324

#### F. Receivables

Receivables are stated at their net estimated realisable value.

#### G. Goods and Services Tax (GST)

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

#### H. Income Tax

The income tax expense charged to the Statement of Financial Performance includes both the current year's expense and the income tax effects of timing differences.

Tax effect accounting is applied on a comprehensive basis to all timing differences using the liability method. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

In accordance with section 85 of the Meat Board Act 2004, the New Zealand Meat Board and Meat & Wool New Zealand Ltd and its subsidiaries form a consolidated tax group for income tax purposes.

**I. Statement of Cash Flows**

The Statement of Cash Flows is stated exclusive of GST.

The following are the definitions of the terms used in the Statement of Cash Flows:

- i. Operating activities include all transactions and other events that are not investing or financing activities.
- ii. Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- iii. Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

**J. Financial Instruments**

The New Zealand Meat Board is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors and creditors. All of these are recognised in the Statement of Financial Position. Revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

**K. Employee Entitlements**

Provision is made in respect of the New Zealand Meat Board's liabilities for annual leave and long service leave. Annual leave is calculated in accordance with the Holidays Act 2003 on an entitlement basis at the higher of the employee's current rate of pay or average weekly earnings over the past 12 months.

**L. Leases**

The New Zealand Meat Board leases office premises, motor vehicles and overseas staff accommodation. 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.

**M. Commitments**

Commitments are disclosed at the point a contractual obligation arises, to the extent that there are equally unperformed obligations. Commitments relating to employment contracts are not disclosed, as they arise in the normal course of business.

**Changes in Accounting Policies**

In the year ended 30 September 2007 the accounting policy for foreign currency and interest rate derivatives has been changed.

Foreign currency derivatives and interest rate management derivatives outstanding at balance date are now included in the financial statements, valued on a mark to market basis at balance date.

The net impact of this in the Statement of Financial Performance is a gain of \$875,759 for foreign exchange derivatives and a loss of \$83,213 for interest rate management derivatives. The gain on foreign exchange derivatives is included in the foreign exchange loss and the loss on interest rate management derivatives is included in investment income.

No foreign currency derivatives were held at 30 September 2006, therefore this policy change had no impact upon the 30 September 2006 financial statements. Interest rate management derivatives held at 30 September 2006 incurred an unrealised loss of \$52,023 as disclosed by way of note in the year ended 30 September 2006 financial statements.

There have been no other changes in accounting policies and these policies have been applied on a basis consistent with that used in the previous year.

## Notes to the Financial Statements

For the year ended 30 September 2007

### 1. INVESTMENT INCOME & EXCHANGE GAINS

	2007	2006
	(\$000)	(\$000)
Interest	5,576	5,127
Unrealised Gain on unit trust	-	2,744
Realised Gain on unit trust	313	-
Realised Gain on offshore investments	122	-
Unrealised Exchange Gain	-	711
Unrealised Gain/(Loss) on Interest rate swaps	(83)	-
	<b>5,928</b>	<b>8,582</b>

### 2. OPERATING EXPENSES

	2007	2006
	(\$000)	(\$000)
<b>Net operating surplus/(deficit) before tax is stated after charging:</b>		
Audit fees paid to principal auditors	6	6
Depreciation	42	57
Rental and leasing costs	323	310
Directors' fees (note 15)	159	159
Loss on sale of fixed assets	-	20
Net loss on foreign currency transactions	847	-

### 3. EQUITY EMPLOYED

	2007	2006
	(\$000)	(\$000)
<b>Accumulated Funds</b>		
<b>Balance at beginning of year</b>	<b>32,862</b>	<b>33,667</b>
Transfer to Contingency Fund	(1,221)	(1,791)
Net Surplus/(Deficit) for the year	(2,928)	986
<b>Balance at end of year</b>	<b>28,713</b>	<b>32,862</b>
<b>Contingency Fund</b>		
<b>Balance at beginning of year</b>	<b>57,754</b>	<b>55,963</b>
Inflation Adjustment – transfer from accumulated funds	1,221	1,791
<b>Balance at end of year</b>	<b>58,975</b>	<b>57,754</b>
<b>Total Equity at end of year</b>	<b>87,688</b>	<b>90,616</b>

The contingency fund comprises \$5 million to underpin quota markets and the integrity of quota management systems and the balance is to provide funding to assist in the meat industry's response to any major industry crisis. The inflation adjustment aims to protect the capital value of the non-quota-related contingency fund over time.

### 4. DEPOSITS

The market value of short-term deposits held at balance date was \$20,127,751 domestic; \$24,052,455 including Foreign Currency term deposits (2006: \$18,139,027 domestic). Range of yield rates: 8.35% - 8.87% domestic; 0.90% - 8.87% including FX term deposits, (2006 yield rates: 7.26% - 7.57% domestic).

Range of maturity:

	2007	2006
	(\$000)	(\$000)
Domestic & Foreign Currency Deposits		
- 0 to 90 days	19,917	11,639
- within one year	2,979	6,500
- within two to five years	945	-
<b>Total Deposits</b>	<b>23,841</b>	<b>18,139</b>

## 5. DOMESTIC INVESTMENTS/BONDS

	Coupon Rate	Maturity Date	Carrying Value (\$000)	Face Value (\$000)	Market Value (\$000)
Dunedin City Treasury Ltd	7.50%	15-Oct-07	1,498	1,500	1,552
Dunedin City Treasury Ltd	7.50%	15-Oct-07	3,504	3,500	3,620
TCNZ Finance Ltd	7.40%	15-Apr-08	4,006	4,000	3,970
Christchurch City Holdings	6.84%	15-Jul-08	1,999	2,000	2,014
Auckland International Airport Ltd	7.50%	15-Nov-08	5,520	5,500	5,584
Auckland International Airport Ltd	7.50%	15-Nov-08	4,774	4,755	4,827
Meridian Energy Limited	7.36%	07-Feb-09	1,519	1,500	1,493
ANZ National Bank	6.82%	17-Feb-09	2,994	3,000	2,982
Deutsche Bank AG New Zealand	7.14%	16-Jun-09	2,007	2,000	2,022
Merrill Lynch	7.05%	02-Sep-09	1,990	2,000	1,974
Fonterra Cooperative Group Limited	6.64%	21-Apr-11	1,986	2,000	2,014
Bank of America Corporation	7.53%	8-Mar-12	5,000	5,000	5,008
Morgan Stanley	6.86%	06-Sep-12	1,476	1,500	1,446
Bank of New Zealand Limited	7.50%	15-Sep-12	1,540	1,500	1,504
Fonterra Cooperative Group Limited	6.86%	21-Apr-14	1,395	1,400	1,403
TCNZ Finance Ltd	7.04%	22-Mar-16	4,000	4,000	3,900
<b>Total 2007</b>			<b>45,208</b>	<b>45,155</b>	<b>45,313</b>
<b>Total 2006</b>			<b>48,287</b>	<b>48,155</b>	<b>48,638</b>

	2007 (\$000)	2006 (\$000)
<b>CURRENT ASSET-DOMESTIC INVESTMENTS/BONDS</b>		
Range of maturity		
- within one year	11,007	7,991
	<b>11,007</b>	<b>7,991</b>
<b>NON CURRENT ASSET-DOMESTIC INVESTMENTS/BONDS</b>		
- within one to two years	18,804	11,055
- within two to five years	10,002	20,827
- within five to ten years	5,395	8,414
	<b>34,201</b>	<b>40,296</b>
<b>TOTAL DOMESTIC INVESTMENTS/BONDS</b>	<b>45,208</b>	<b>48,287</b>

## 6. TRADE RECEIVABLES/PREPAYMENTS/ACCRUED INTEREST

	2007 (\$000)	2006 (\$000)
Trade Debtors and Notes	34	50
Prepayments	63	65
Withholding Tax Receivable	-	244
Accrued Interest	1,320	1,690
	<b>1,417</b>	<b>2,049</b>

**7. FIXED ASSETS**

	Cost 2007	Accumulated Depreciation	NBV 2007	Depreciation Charge
	(\$000)	(\$000)	(\$000)	(\$000)
Leasehold Improvements	1	0	1	0
Furniture and Fixtures	203	172	31	12
Motor Vehicles	34	18	16	12
Computer Equipment & Software	390	363	27	18
	<b>628</b>	<b>553</b>	<b>75</b>	<b>42</b>

	Cost 2006	Accumulated Depreciation	NBV 2006	Depreciation Charge
	(\$000)	(\$000)	(\$000)	(\$000)
Leasehold Improvements	1	0	1	2
Furniture and Fixtures	198	160	38	12
Motor Vehicles	34	5	29	5
Computer Equipment & Software	376	346	30	38
	<b>609</b>	<b>511</b>	<b>98</b>	<b>57</b>

**8. INTERNATIONAL FIXED INTEREST INVESTMENTS/BONDS**

	Coupon Rate %	Maturity Date		Face Value (\$000) FX	Carrying Value (\$000) NZD	Market Value (\$000) NZD
Halifax PLC	6.375	03-Apr-08	GBP	1,100	3,002	3,070
Inter-American Development	1.9	08-Jul-09	JPY	143,000	1,686	1,691
European Investment Bank	4.25	07-Dec-10	GBP	1,445	3,822	3,920
HSBC Finance Corp	5.25	14-Jan-11	USD	4,144	5,549	5,571
Wal-Mart Stores Inc	4.13	15-Feb-11	USD	2,720	3,543	3,550
General Electric	3.38	08-Feb-12	EUR	544	1,001	1,001
<b>Total 2007</b>					<b>18,603</b>	<b>18,803</b>
<b>Total 2006</b>					<b>10,196</b>	<b>10,591</b>

**9. INVESTMENT IN UNIT TRUST**

	2007	2006
	(\$000)	(\$000)
Opening Balance	14,218	11,475
Net Distributions Received and re-invested	-	201
Investment Proceeds	304	-
Withdrawal	14,522	-
Unrealised Gain on Investment	-	2,542
	<b>-</b>	<b>14,218</b>

During the financial year the investment in the AMP Capital Future Directions International Share Fund was exited. The proceeds realised an additional \$304,000 above the valuation at 30 September 2006.

**10. SUNDRY PAYABLES INCLUDING PROVISIONS**

	2007	2006
	(\$000)	(\$000)
Employee Entitlements	20	20
Related Party Payables	2,180	1,955
Trade Payables	71	421
	<b>2,271</b>	<b>2,396</b>
<b>Movements in Provision for Legal Fees</b>		
Balance at beginning of year	-	105
Legal expenses incurred	-	(41)
Release of provision	-	(64)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

## 11.COMMITMENTS

### Operating Leases

The lease commitments are based on current rentals. The New Zealand Meat Board leases premises in Brussels, London and Washington with lease terms of 1-9 years (2006: 1-4 years).

The New Zealand Meat Board's non-cancellable lease commitments are as follows:

	2007	2006
	(\$000)	(\$000)
Within one year	368	334
Within one to two years	323	256
Within two to five years	588	488
Later than five years	237	350

Three motor vehicles and some items of office equipment are also leased.

### Contracts

There are no contractual commitments as at 30 September 2007 (2006: nil).

### Funding Commitments

The New Zealand Meat Board was committed at 30 September 2007 to contribute funding to Pastoral Genomics Research Consortium, Ovita Ltd and Paraco Ltd. In 2006, the New Zealand Meat Board was committed to funding Pastoral Genomics Research Consortium, Ovita Ltd and Paraco Ltd.

The funding for these commitments is paid to Meat & Wool New Zealand Ltd from the New Zealand Meat Board's reserves according to the mandate received in the Farmers' Choice referendum in 2003.

	2007	2006
	(\$000)	(\$000)
Within one year	3,900	4,922
Within one to two years	5,815	4,544
<b>Total commitments</b>	<b>9,715</b>	<b>9,466</b>

### Capital Commitments

There are no capital commitments as at 30 September 2007 (2006: nil).

## 12.TAXATION

	2007	2006
	(\$000)	(\$000)
Surplus/(deficit) before tax	(2,928)	986
Prima facie tax @ 33 per cent	(966)	325
Taxation effect permanent differences	(274)	(884)
Adjustment for future tax benefits – no virtual certainty of recovery	1,240	559
<b>Current taxation expense</b>	<b>-</b>	<b>-</b>
<b>Provision for taxation per Statement of Financial Performance</b>	<b>-</b>	<b>-</b>

### Future Tax Benefits and Deferred Taxation

Unrecognised tax losses of \$59,918,647 (2006: \$59,988,981) are available to the consolidated tax group (which includes the New Zealand Meat Board and Meat & Wool New Zealand Limited), subject to agreement of the current year losses by the Inland Revenue Department.

The future income tax benefits in respect of these losses have not been accounted for as there is no virtual certainty of recovery of the benefits in future periods.



### 13. CONTINGENCIES

(a) As at 30 September 2007 the New Zealand Meat Board had one ongoing claim in the New Zealand courts (2006: one claim):

- **Crusader Meats New Zealand Ltd vs New Zealand Meat Board**

In 2004 Crusader filed a claim against the Board seeking damages of \$11,196,799 plus interest in relation to decisions made by the Board between 2000 and 2002. The Board has filed a statement of defence, and the claim is continuing through its pre-trial stages. No date for a full hearing has yet been set.

(b) The New Zealand Meat Board is party to letters of credit from the Bank of New Zealand for the sum of \$20,000 to cover payroll direct credits.

(c) The New Zealand Meat Board indemnifies officers against liabilities that may arise in the course of their duties.

### 14. SEGMENT INFORMATION

The New Zealand Meat Board operates predominantly in the meat industry. It is considered that the provision of detailed segment information does not provide any greater insight into the operations of the New Zealand Meat Board.

### 15. DIRECTORS FEES

	2007	2006
	(\$000)	(\$000)
Chairman	25.0	25.0
Producer Directors	14.9	14.9
Commercial Directors	14.9	14.9
Government Appointees	14.9	14.9

The above fees represent the annualised fees payable to Directors. The New Zealand Meat Board pays no other fees to Directors.

The New Zealand Meat Board Directors and Officers are covered by Directors' & Officers' Liability Insurance.

### 16. REMUNERATION OF NEW ZEALAND MEAT BOARD EMPLOYEES

The following table represents the number of employees during the financial year to 30 September whose remuneration was greater than \$100,000. The remuneration of staff in Washington, Brussels and London has been converted to a New Zealand dollar equivalent at the approximated transaction rate for the year. Remuneration comprises salary and other benefits provided.

(\$000)	Overseas Staff	
	2007	2006
110-119	1	-
130-139	-	1
150-159	-	1
170-179	2	-
190-199	-	-
280-289	1	-
290-299	-	1

### 17. FINANCIAL INSTRUMENTS

The New Zealand Meat Board is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors and interest rate management derivatives.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Financial Performance. All financial instruments except interest rate management derivatives are recognised in the Statement of Financial Position.

The New Zealand Meat Board is risk averse and seeks to minimise exposure from its treasury activities. Its policies do not allow any transactions that are speculative in nature to be entered into.

### Interest Rate Risk

The following table outlines the effective interest rates for investments:

	2007	2006
Short-term Deposits – Domestic	8.63%	7.40%
Fixed Interest Investments/Bonds – Domestic	7.02%	7.04%
Short-term Foreign Currency Deposits	4.01%	-
Long-term Foreign Currency Deposits	0.90%	-
Fixed Interest Investments/Bonds-International	4.63%	3.29%

### Credit Risk

Credit risk is the risk that a third party will default on its obligations to the New Zealand Meat Board, causing the New Zealand Meat Board to incur a loss.

Financial instruments, which potentially subject the New Zealand Meat Board to credit risk, consist principally of bank balances, accounts receivable and short-term investments.

The New Zealand Meat Board only invests in creditworthy counterparties. Creditworthy counterparties other than Government are selected on the basis of their current Standard & Poor's (S&P) rating, which must be "strong" or better.

The group may invest in the following instruments:

- Government investments, which include treasury bills and stock
- SOE investments, which include promissory notes and bonds
- Registered bank investments, which include money market call and term deposits, transferable and negotiable certificates of deposit, bank accepted or endorsed bills
- Local authority investments which include debentures, stock and promissory notes
- Approved corporate investments, which include promissory notes, bonds, and unit trusts.

The New Zealand Meat Board limits the amount of credit exposure to any one financial institution.

All of the financial instruments the New Zealand Meat Board is party to are unsecured unless otherwise disclosed within the financial statements.

### Fair Values

The fair value of assets and liabilities approximates the carrying amounts disclosed in the Statement of Financial Position or notes to the financial statements.

## 18. CASH FLOW RECONCILIATION

	2007	2006
	(\$000)	(\$000)
<b>Reported surplus/(deficit) after taxation</b>	<b>(2,928)</b>	<b>986</b>
Add/(less) non-cash items:		
- depreciation	42	57
- bond amortisation	124	318
- unrealised mark to market on interest rate derivatives	83	-
- unrealised mark to market on foreign currency derivatives	(876)	-
- revaluation of foreign currency deposits	52	-
- exchange fluctuations International Fixed Interest Bonds	1,632	(711)
- unit trust - unrealised (gain)	-	(2,542)
	<b>1,057</b>	<b>(2,878)</b>
Add/(less) movements in other working capital items:		
- decrease in accounts receivable	632	498
- increase in accounts payable	(124)	577
	<b>508</b>	<b>1,075</b>
Add/(less) items classified as investing or financing activities:		
- net (gain) on sale of fixed assets	-	(20)
- (gain)/loss on foreign currency hedge	(14)	-
- (gain) unit trust - realised	(313)	(201)
- realised (gain) on offshore investments	(122)	-
	<b>(449)</b>	<b>(221)</b>
<b>Net cash flows (used in)/from operating activities</b>	<b>(1,812)</b>	<b>(1,038)</b>

## 19. RELATED PARTY TRANSACTIONS

### Meat & Wool New Zealand Limited

The New Zealand Meat Board provides grant funding to Meat & Wool New Zealand Limited for industry-good projects in accordance with its Reserves Policy and the Meat Board Act 2004. Refer to note 19 (a).

The New Zealand Meat Board operates offices located in Brussels, London and Washington. These offices are shared with Meat & Wool New Zealand Limited for market access and development work. The costs associated with running these offices, inclusive of staff costs, are recovered from Meat & Wool New Zealand Limited as noted below.

	2007	2006
	(\$000)	(\$000)
Service Recoveries: Overseas Offices	1,607	1,828

The New Zealand Meat Board pays costs in relation to services provided by Meat & Wool New Zealand Limited. Overseas Offices' staff are employed directly by the New Zealand Meat Board, which also seconds staff and services contracts from Meat & Wool New Zealand Limited for quota administration. These services are as follows:

	2007	2006
	(\$000)	(\$000)
Administration & Information Technology	72	69
CEO and Corporate	60	81
Finance	88	56
Trade Policy for Quota Administration	63	81
	<b>283</b>	<b>287</b>

### Disclosure of Interests by Directors

Some of the Directors on the New Zealand Meat Board own shares in or own New Zealand meat companies. Some of the Directors are directors, employees or trustees of New Zealand meat companies.

## 19 (a). FUNDING TO MEAT & WOOL NEW ZEALAND LIMITED

During the year to 30 September 2007, grants were provided by the New Zealand Meat Board to Meat & Wool New Zealand Limited as follows:

	2007	2006
	(\$000)	(\$000)
Operating funding to Meat & Wool New Zealand Limited for industry-good activities	3,168	3,201
Capital Reserve funding to Meat & Wool New Zealand Limited for research expenditure	4,492	4,203
<b>Total funding to Meat &amp; Wool New Zealand Limited</b>	<b>7,660</b>	<b>7,404</b>

## 20. INVESTOR INTEREST RATE SWAPS

The New Zealand Meat Board has two investor interest rate swaps with a face value of \$2.5 million each. Floating rate interest receivable obligations have been swapped for fixed rate interest receivable obligations to reprofile and provide greater certainty in the interest income line over the medium term.

The fair value of these swaps is a liability of \$83,213 and these are recorded in the Statement of Financial Position.

## 21. FOREIGN EXCHANGE DERIVATIVES

The New Zealand Meat Board has taken foreign currency derivatives out to protect the Statement of Financial Position over balance date. These matured on 1 October 2007.

## 22. EVENTS SUBSEQUENT TO BALANCE DATE

Other than those already disclosed in note 13, there are no significant events subsequent to balance date requiring disclosure in these financial statements.

### 23. ADOPTION OF NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the Accounting Standards Review Board (ASRB) formally announced that New Zealand reporting entities would be required to comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for financial years commencing on or after 1 January 2007. The ASRB also allowed the option of adopting NZ IFRS one or two years earlier.

#### Transition Management

A conversion project involving professional advisers and finance staff (monitored by an internal NZ IFRS project team) has been established. The project team is:

- assessing the impact of changes in financial reporting standards on the New Zealand Meat Board's financial reporting and other related activities;
- designing and implementing processes to deliver financial reporting under NZ IFRS; and
- dealing with any related business impacts.

This project is largely complete and the New Zealand Meat Board expects to be in a position to comply with the requirements of NZ IFRS for the year ending 30 September 2008.

Transition to NZ IFRS will affect a number of the New Zealand Meat Board's accounting policies and procedures. In particular, accounting for investments and deferred taxation are areas likely to be affected by the changes.

#### Classification of Investments

The classification of the New Zealand Meat Board's investments will change. All investments will be classified into either available for sale, trading or held to maturity categories. Held to maturity assets will continue to be valued at amortised cost but available for sale and trading investments will be carried at fair value. The value of this change has yet to be quantified.

#### Deferred Tax

Under GAAP the accounting policy for income tax is to calculate income tax expense in the Statement of Financial Performance based on the accounting surplus adjusted for permanent differences between accounting and tax rules. The impact of all timing difference (eg. differences in depreciation rates and unrealised derivative carrying) between accounting and taxable income is recognised as a deferred tax liability or asset in the Statement of Financial Position.

IFRS requires the comparison of the Statement of Financial Position carrying values with the tax base values to determine the deferred tax liability or asset to be recorded in the Statement of Financial Position. Recognition of the movement in the deferred tax balances for the period will be determined by the underlying transaction.

A comparison of the Statement of Financial Position carrying values with tax base values as at 30 September 2006 will be required. Fixed assets values are largely aligned with tax values due to a revision of depreciation rates undertaken during 2005. The impact of the value of interest rate management instruments will need to be determined, but is not expected to be material.

It is not possible at this time to estimate reliably all the impacts of the changes on the New Zealand Meat Board's reported financial performance and financial position. The actual impacts of adopting NZ IFRS may vary from the information presented.

The New Zealand Meat Board will be a late adopter of IFRS, with the first IFRS financial statements being for the year ending 30 September 2008.



## Audit Report

### To the stakeholders of New Zealand Meat Board

We have audited the financial statements on pages 6 to 18. The financial statements provide information about the past financial performance of the company and its financial position as at 30 September 2007. This information is stated in accordance with the accounting policies set out on pages 9 and 10.

#### Directors' responsibilities

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Board as at 30 September 2007 and the results of its operations and cash flows for the year ended on that date.

#### Auditors' responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

#### Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no relationship with or interests in the Board.

#### Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Board as far as appears from our examination of those records;
- the financial statements on pages 6 to 18:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the Board as at 30 September 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 4 December 2007 and our unqualified opinion is expressed as at that date.

Wellington

## Use of Statutory Powers for the period 1 October 2006 to 30 September 2007

### Registration

Sections 48-56 of the Meat Board Act 2004 outline the requirements in relation to meat export registration.

Export Registrations issued under the Meat Board Act 2004 are valid for a period of three years and expire on 30 September in the final year of the registration period, unless they are renewed earlier. During 2006-07, 22 Export Registrations were issued and 34 Export Registrations were cancelled.

### Quota Management

Under Part 3 of the Act, the Board must consider the establishment and operation of mechanisms for the allocation of quota in country-specific tariff quota markets.

During the year, three quota allocation mechanisms operated in accordance with Part 3 of the Act: EU sheepmeat and goatmeat, US beef and veal, and EU high-quality beef.

In November 2006 the Board completed its review of allocation mechanisms pursuant to Section 29 of the Act.

As at 30 September 2007 a total of 216 Export Registrations were current. The holders of these Registrations are listed as follows:

ELR Number	Name
1390	ABB Grain (NZ) Ltd
1273	ABBEX International Ltd
1459	Abco Meats Limited (in receivership)
1333	Absolute Foods Ltd
1027	Adambrooke International Ltd
1152	Advance Marketing Ltd
1279	Affco New Zealand Ltd
1381	Agri-lab Co-Products Ltd
1453	Ali Ahmed ISSA
1165	All the Word Export Company Limited
1103	Alliance Group Ltd
1471	Allied Farmers Limited
1033	Alpine Export Limited
1247	Amalgamated Marketing Ltd
1426	AMC Marketing Company Limited
1359	AMI Export Trading Ltd
1443	Anthony Goodman
1019	ANZCO Foods Green Island Limited
1301	ANZCO Foods Limited
1467	Aotearoa NZ Meat Exporters Ltd
1239	APJ Meats Ltd
1194	Arex International (New Zealand) Ltd
1166	Aroma NZ Ltd
1473	Asado Food Solutions Limited
1371	Asia New Zealand Pacific Foods Ltd
1257	Astra Farm
1062	Auckland Meat Processors Ltd
1199	Back Country Foods Ltd
1054	Ballande NZ Ltd
1105	Bernard Matthews NZ Ltd
1430	Biotissues NZ Ltd

ELR Number	Name
1307	Boss NZ Ltd
1447	Buchanan's Beef
1078	C Sullivan (NZ) Ltd
1347	Cabernet Foods Ltd
1183	Cambrian Meats
1271	Canterbury Fresh Ltd
1450	Canterbury Meat Imports & Exporters Ltd
1142	Canterbury Meat Packers Limited
1414	Caprine Cuisine NZ Ltd
1420	CERCO Limited
1358	Chevalier Wholesale Produce Ltd
1044	Clover Export Ltd
1137	CMP Kokiri Ltd
1107	Columbia Exports Ltd
1097	CR Grace Limited
1065	Crosby Exports Limited
1069	Crown Marketing Limited
1160	Crusader Meats New Zealand Ltd
1068	Davmet New Zealand Ltd
1125	DM Palmer NZ Limited
1362	Duncan & Co Ltd
1275	Dunnett & Johnston Group Pty Ltd
1280	Ellis Agricultural Services Ltd
1375	Evenrude Trading Ltd
1472	Export Plus Ltd
1304	Export Services
1402	Fairleigh Enterprises Ltd
1422	Farmlands Industries Ltd
1014	Fern Ridge Ltd
1254	Fernbryn Holdings Ltd
1457	Finist Holding Ltd
1243	Fishers Meats Ltd
1159	FJ Ramsey Meats (Paerata) Limited
1432	Forventa Ltd

ELR Number	Name
1111	Franklin Foods Ltd
1026	Frasertown Meat Company Ltd
1380	Fresh Meats NZ Ltd
1049	Fresha Export Ltd
1327	Frontiers Group Co Ltd
1428	Fungamahofa Enterprises (NZ) Limited
1323	GANA International Ltd
1015	Garra International Ltd
1423	Garra Protein Limited
1034	Garrett International Meats Ltd
1116	Genesis Bio-Laboratory Ltd
1444	Georand Ltd
1464	Goat NZ Ltd
1474	Goodman Fielder New Zealand Limited
1317	Gordon Dennis
1119	Greenlea Premier Meats Ltd
1449	GTL Limited
1395	Halabi Holdings Ltd
1016	Harrier Exports Ltd
1145	Heinz Wattie's Limited
1388	Hellaby Meats (South Island) Ltd
1029	Highford Marketing Group Ltd
1214	Horizon Meats NZ Ltd
1425	Ian Price Provedors Ltd
1043	Independent Provedoring Co Ltd
1392	Integrated Foods Marketing Ltd
1300	Invitrogen New Zealand Ltd
1445	Itoham New Zealand Ltd
1431	Jatra Corporation Ltd
1438	Jerry (Chih Chung) Ting
1344	Jong Won Park
1216	Juken New Zealand Ltd
1240	Juno Exports Ltd
1150	JW Hartnell 2000 Ltd
1460	Kadesh NZ Limited
1352	Kaiser Enterprise Ltd
1024	Kanematsu New Zealand Ltd

ELR Number	Name
1355	Kato Farming
1367	KFM International Trading
1469	Ayaiz Khan
1030	Kiwi Pacific Foods Ltd
1343	Konig Gourmet Foods Ltd
1446	Koru International Ltd
1028	Lamb Packers Feilding Ltd
1342	Land Meat New Zealand Ltd
1221	Lanexco Limited
1270	LANZ Company Limited
1133	Lean Meats Limited
1386	Levin Meats Ltd
1440	Lincoln Wu
1147	Lotus Exports Ltd
1256	Lowe Corporation Limited
1007	LSG Sky Chefs Limited
1340	Lyford & Burkhart Exports (NZ) Ltd
1451	Marcol Meat New Zealand Limited
1227	Marquet Trading Ltd
1262	Mathias NZ Ltd
1122	McCallum Industries Ltd
1411	McDonald's Asia-Pacific Consortium Pty Ltd
1299	McDonald's Distribution Centre Ltd
1023	MCK Export/Import Ltd
1083	Milton Marketing Ltd
1212	Mount Erin Exports (NZ) Ltd
1404	Mountain River Venison Ltd
1017	Mountain Valley Organic Meats Ltd
1093	Musgrave Meat Holdings Ltd
1322	NASA 1 Export Limited
1424	National Meats NZ Ltd
1129	Nelson and Robertson Pty Ltd
1126	Nestle New Zealand Limited
1427	New Century Company Limited
1429	New Zealand Exports International Ltd
1433	New Zealand Pacific Meats Ltd
1144	Norman Evans Limited
1470	Nu Horizonz Enterprises Limited
1360	Nutura New Zealand Ltd
1416	NZ Angus Beef Ltd
1229	NZ BY Products Ltd
1020	NZ Lamb Co (North America) Ltd
1314	NZ Trade Corporation Ltd
1454	NZ Trade House Limited
1465	OneFoodSource NZ Ltd
1037	Oriental By-Product Processors Limited
1452	ORION 2000 Ltd
1040	Ottogi New Zealand Ltd

ELR Number	Name
1146	Outlands New Zealand Limited
1139	Pacific Basin Exports Limited
1124	Pacific Natural Gut String Co Ltd
1011	Panamex Pacific Limited
1089	Pasifika Trading Ltd
1131	Pilot (NZ) Ltd
1018	PPCS Limited
1046	PPCS Limited
1436	Pratima Agro Traders New Zealand Limited
1456	Premium Exports Ltd
1035	Prepared Foods Processing Ltd
1079	Prime Range Meats Limited
1004	Progressive Gisborne Ltd
1364	Progressive Meats Ltd
1331	Projects NZ Ltd
1008	Ray Garnett
1259	RCI Limited
1434	Reliance Impex Limited
1088	Richard Kidd Marketing Ltd
1289	Riverlands Ltd
1366	Robert J Aitchison
1127	Rosendale Holdings Ltd
1439	RTD (NZ) Import Export Ltd
1374	Samex Australian Meat Co Pty Ltd
1448	Seed Home NZ Co Ltd
1335	Serosa NZ Ltd
1463	Share International Ltd
1458	Sherenden Station Ltd
1236	Shinpo NZ Ltd
1377	Shore Mariner Ltd
1407	Son's Agro Business Ltd
1348	South Pacific Meats Limited
1074	South Pacific Sera Limited
1296	Southland Meat Exporters Ltd
1232	SPANZ Ltd
1435	Stand Out Marketing Ltd
1224	Stratford Meat Brokers Co Ltd
1134	Swift & Company Trade Group
1123	Tara Exports Limited
1455	Tara International Limited
1047	Taylor Preston Ltd
1091	Te Kuiti Meat Processors Ltd
1237	Te Mania International Ltd
1466	Team Meat New Zealand
1143	Tevita Tamahanga Tukunga
1370	The Neat Meat Company Ltd
1394	Tian Long International Co Ltd
1135	Towers Thompson (New Zealand) Ltd
1357	Trade Meats New Zealand Ltd
1102	Tradexport Corporation Limited
1461	Tropical Fresh Exports Ltd
1441	True South Limited

ELR Number	Name
1437	Tulimanu Exports Ltd
1272	UBP Limited
1442	Urban Food Distributors' Limited
1264	Van Hessen (NZ) Ltd
1039	W H Grove & Sons Ltd
1060	Waitaki Biosciences (a division of Pharmazen Ltd)
1288	Walcovit New Zealand Limited
1138	Wallace Corporation Limited
1230	Wallace Trust Meats Ltd
1421	Wei Young International Ltd
1462	Westalea Limited
1176	Wilderness Foods Limited
1022	Wilson Hellaby Limited
1468	ZiwiPeak Limited

