

# *Annual Report* **2011**



# Genetics Australia Cooperative Limited and Controlled Entities

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## Chief Executive Officer

Chris Jones, BSc, MSc, MBA, Dip. Marketing

## Secretary

Mannie Mizzi

## Auditors

Bell Partners,  
Chartered Accountants

## Bankers

National Australia Bank Limited

## Directors as at 30 June 2011

**Ross Gordon** (Chairman) Dip. Farm Mgt  
Cohuna, Vic.

**Simon Bennett** (Deputy Chairman), MAICD, Dip Ag.  
Elizabeth Town, Tas.

**Wesley Brown**  
Tamworth, NSW

**Noel Campbell**, Dip. Mech.Eng., FAICD  
Yannathan, Vic.

**Frank Davis**, FCPA, F.Fin, FAIM, FAICD Dip.  
Carlton, Vic.

**Bryan Dickson** (resigned 25th July 2011)  
Terang, Vic.

**Trevor Henry**  
Maffra, Vic.

**Jens Karnoe**, MBus (Mktg), FAMI, CPM, FAICD  
East Malvern, Vic.

## Chairman's Review 2011



Ross Gordon

The 2010–2011 year was one of consolidation for both the dairy industry and Genetics Australia Cooperative Limited. In the aftermath of the preceding year's poor milk prices, it was always going to take time for cash flow to improve, and with the heavily back ended milk payments from most milk companies, the year began cautiously.

Genetics Australia senior management and all staff have done a sterling job in minimising costs and working efficiently to meet the needs of our shareholders. This was achieved during a difficult management period following the resignation of our previous CEO, Dr Ray Johnson, early in the year.

In March Chris Jones was appointed as the new CEO. Chris brings to Genetics Australia a wealth of experience in Agribusiness, both in Australia and overseas. Chris has been working with senior management in implementing a reorganisation of Genetics Australia to meet the needs of our shareholders into the future.

Subsequent to Chris's appointment, we welcomed Mannie Mizzi as Finance Manager and Company Secretary. Mannie brings new skills and financial thinking to the business and his contribution in only a short time has been extremely positive.

The group had an increase in revenue of \$973,551 and an increase in costs of \$804,179, resulting in a small net profit of \$7,772 after providing for income tax and after eliminating the loss attributable to World Wide Sires. This is a much improved position compared to the prior financial year.

It remains important for Genetics Australia to reduce our core debt even further, and the Board continues to explore the sale of the 'Woodside' property that is surplus to our needs. There has been keen interest from several parties as the demand for residential property on the outskirts of Melbourne remains. Coal mining discoveries in the area could be one main stumbling block, however this may present some additional opportunities.

The ABV release again proved to be significant. The graduation in April of the first genomic INFORMER sons, progeny tested in 2007 and sold as a genomic pack in 2009, was a key highlight.

This group included QUINTY, WATCHDOG and the cream of the crop in MEDALLION. All delivered high ABVs for APR, type and udders. These bulls joined other INFORMER sons — DELSANTO

and BUDLIGHT — in clearly demonstrating the significant influence INFORMER has had on herd improvement in Australia.

MEDALLION has an ideal ABV, and is the only bull available in the top 1% for APR, Overall Type and Mammary System. Together with his outcross pedigree, he is the result of striving to develop cows for Australian dairy farmers that will produce and last for many years in the milking herd.



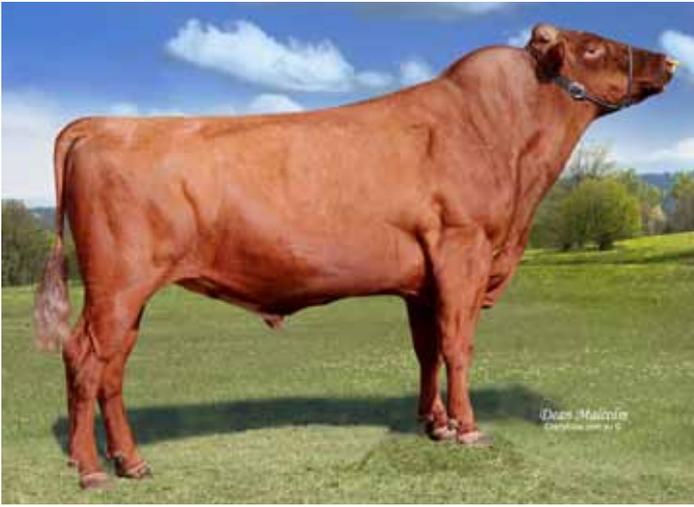
Outstanding new Holstein bull MEDALLION with his breeder Brian Anderson.

April saw genomic information incorporated into breeding values for the first time, as well as the first release of ABV(g)s on young bulls without milking daughters. This technology continues to be fine tuned but is proving a worthwhile guide to bulls that will graduate with high breeding values.

A doubling of reliability in our progeny testing is a wise breeding investment. High genomic bull JETFINN, one of the last INFORMER sons that will be put to test, could prove to be the best based on his genomic numbers.

The new graduate in the Jerseys was GAINFUL, who received an excellent all-round ABV, and the second-crop success of VALERIAN confirmed his status as one of the elite Jersey bulls.

The strength of the Red Breeds continues to grow and Genetics Australia proven bulls maintain their position at the top of the rankings. ARBBOWDOWN, ARBBONJOVI and ARBMAWSON were joined by new graduate ARBLEX, who made an impressive debut.



*New Aussie Red proven bull ARBLEX made an impressive debut in the 2011 ABVs.*

Genetics Australia is able to offer high-quality genetics to meet any breeding goal and when coupled with our Global Sires line up from World Wide Sires our shareholders can be assured we have superior genetics from around the world. The US Holstein Planet became the No. 1 bull on the USDA TPI list with the inclusion of his second-crop daughters. We are pleased there are many favourable reports on Planet daughters milking in Australia. We are also pleased that we have a number of his sons in our progeny test teams.

It is interesting to see in the Holstein Journal a list of the Top 50 sires by registrations and birth date for the year 2010, with the No. 2 position held by ORANA. Other notable inclusions were WISEPOINT, DONANTE, BULLBAR, WILLCOY, YOURSHOUT and Planet. Our breeding program is appealing to a broad customer base, with many breeders now recognising the quality of Australian proven bulls.

Congratulations to the breeders of bulls in our proven teams. We look forward to continue working with them to breed the next generation of quality Australian bulls. We also appreciate the opportunity to work with many great Australian cow families that are behind our young bulls.

We would not have proven bulls if it were not for our progeny test members. We thank them for their commitment, over a long period of time, to helping us identify the next generation of proven bulls.

Following a review of our semen collection and production processes at Parwan Park, we identified efficiency gains and opportunities for the facility to become more economic and allow Genetics Australia to re-engage on the world stage.

During the year, the Parwan Park facility was EU accredited for export of semen into Europe. Staff worked hard to upgrade collection standards, while still maintaining the production facility at peak output for the autumn sales season.

Subsequent to this accreditation, Genetics Australia has entered into an agreement with Genes Diffusion, a leading AI cooperative based in France. As part of their bio-security strategy, they have embarked on a substantial embryo importation program into Australia, and we will custom collect the resulting bulls with semen to be sent to Europe.

We will also get the opportunity to genomically screen these young bulls, and the best will also be jointly tested in the Genetics Australia Horizon progeny test program. The first of these bulls will enter our centre in late 2011.

Negotiations are also taking place for other export opportunities, as other countries realise the value of pasture-based farming systems and the quality and depth of Australian proven genetics.

The other growing export opportunity has been our relationship with Austrex. The sale of proven bulls to China is allowing Genetics Australia to increase revenue from bulls that are surplus

to our requirements. With the large number of Australian heifers in China, the opportunity to also export Genetics Australia semen to suit these females is well worth pursuing.

Discussions involving the availability of Australian sexed semen are ongoing. While we are frustrated that it has taken such a long time, we are now confident it will become available in late 2011. It is important that a contract for sexed semen production is finalised to reflect market reality.

We continue to work with key industry stake holder Dairy Futures CRC. The ongoing exploration of genomic research is starting to bring tangible results to our shareholders. There will also be other benefits as we explore other research projects.

Thank you to my fellow directors for their time and diligence in the board room, on the various committees and also within many industry forums. Your commitment to the cooperative is greatly appreciated as is your support in my role as chairman. Thank you also to Colin Gardner, who retired as a director at the last AGM after being chairman for four years. Wes Brown, a Holstein breeder from Tamworth, joined the board to fill the vacancy.

Congratulations to Chris Jones and all staff on the improvement in Genetics Australia's position. As we move forward we all know the task is not fully achieved, for we must secure a solid bottom line irrespective of the benefits we deliver to our shareholders. We are well on the way to delivering on this commitment.

During the year we have had some staff achieve long service awards. Congratulations to Rob Derksen (25 years), John Pedretti (15 years), Wally Slabicki (15 years), Maryanne Mullen (10 years) and Michelle Clarke (5 years).

The Harlock award continues to recognise the importance of employee contribution to the success of Genetics Australia. This year's quarterly winners have all been deserving, and we congratulate all recipients.



*New Jersey bull GAINFUL received an exceptional all-round ABV in 2011.*

A thank you to all staff, and as you have heard me say before — you are Genetics Australia and you are what the cooperative stands for as we deliver high quality genetics and services to our shareholders.

Over the last decade, we have seen the demise of cooperatives in Australian agriculture, to the detriment of Australian farmers. Our shareholders must contemplate the future, and Genetics Australia will strive to deliver high quality genetics and services. It is up to all members to gain the full benefits Genetics Australia can deliver.

Ross Gordon, Chairman

# Chief Executive Officer's Review



Chris Jones

Having joined Genetics Australia in March 2011, this will be the first opportunity I have had to report on the 2010–11 performance, and to give some insight into the plans and objectives for the years ahead.

It's no secret that the Cooperative has experienced a continuum of poor financial results reflecting the many years of drought and economic downturn of the dairy sector. To their credit, the board and staff have done everything possible to ensure the survival of Genetics Australia as Australia's only fully integrated breeding, production and marketing bull farm. That on its own is a very worthy achievement and something all shareholder members can be proud of.

Much of the industry sector pain has shown up within the group's results and despite these challenges the organisation and its staff have done a remarkable job in maintaining a focus and passion to serve both the group members and the industry at large.

## So what happened in 2010–11?

Overall it's been a year of significant change in both management and organisational structure as we re-position the business for the future. These changes underpin a commitment to introduce an important new direction in both the business strategy and operational approach.

Firstly, let's talk about the financial results achieved.

### Genetics Australia Cooperative Ltd Turnaround of net profit after tax



Genetics Australia has seen the first positive signs of a turnaround to achieve a profit after tax of \$97,927. Given the loss after tax of the prior year of \$79,575 — and this was after profit on sale of properties and investments of \$1,603,811 — this was a major improvement. It was brought about by more attention to gross margins, tight control of expenses and careful allocation of resources. Our cash flow position has improved substantially, reflecting a recovery in farmer liquidity but also greater financial discipline within Genetics Australia.

Financial performance in terms of cash flow and profit objectives continues to be an area of tremendous challenge, with the necessity of delayed payment by many customers in tough times now becoming a habit even as conditions improve. Unfortunately the gains made by the parent were offset by losses in our joint venture company, Global Sires. Some 18 months ago Genetics Australia decided to partner with US-based World Wide Sires to ensure our members had access to the best quality genetics from international sources alongside Australian produced genetics from the cooperative. Unfortunately the anticipated start-up costs

in this new venture turned out to be higher than expected and the Group had to absorb 60% of the loss after tax which equates to \$87,144. The experience gained from the first full year of trading will be used to adjust the business model so that the costs to provide access by shareholder members to bulls from international sources are more in line with acceptable returns.

## Insights into the future

Reporting on past performance is required but focusing on the future is more important. In June 2011, the board approved a new Strategic Plan and Organisational Structure for Genetics Australia. An outline of the future focus and key components are summarised below.

The **Strategic Focus** for Genetics Australia is **growth**. Priority will be given to all the critical performance aspects that will deliver a sustainable and successful future business, as outlined below:

- growth in our financial results and profitability
- growth in our cash flow position
- growth in our market share in dairy genetics and herd improvement services
- growth in product portfolio offering Australian and internationally sourced genetics
- growth in the range of our livestock services and quality
- growth in our supplier support base and contacts
- growth in our staff skills and development
- growth in our reseller and breeder relationships and industry partner associations
- growth in number of active shareholder members who are our customers.

All of the above are important. Collectively they provide the platform for Genetics Australia to achieve the primary objective of meeting the diverse needs of our shareholder members and in turn for them to become active customers. We will do this by encouraging you to engage more fully with the cooperative to source and supply products and services to meet your needs. We are very confident that we can meet the high standards and expectations of all our shareholder customers — the greater the support, the stronger we become in representing your interests and assisting you to be successful over the long term. That's our Mission and has been for over 50 years.

Several factors will remain critical to our long term success but here are a few to emphasise:

Firstly, our **product catalogue**. Through our breeding programs for Holsteins, Jersey and Australian Reds, we continue to actively resource this important investment at over \$1.5m per annum, the largest R&D domestic breeding program for dairy genetics in Australia. The cooperative continues to work closely with many passionate and innovative dairy cattle breeders representing the best that Australia has to offer.

Secondly, our **semen production facilities**. Based in regional Victoria, Genetics Australia has now obtained EU accreditation, allowing us to extend our export activity to several international markets and also expand our export of live bulls to China. Exporting represents a huge untapped opportunity but also carries trading risks with exposure to different business norms, cultural differences and currency challenges. We will proceed cautiously.

Thirdly, our **progeny test program**. This is a costly but enormously important investment to identify and graduate leading bulls based on quality genetics. This is Australia's largest progeny test program and is only possible because Genetics Australia is determined to keep a dedicated, domestic program which is focussed on meeting the needs of the Australian dairyfarmer. These objectives are fully supported by investments in and local adoption of new technology innovations like genomics and more recently locally produced sexed semen. Genetics Australia is therefore well placed at the forefront of the Australian dairy genetics industry and continues to work closely with many external organisations, including the CRC, Holstein Australia, Jersey Australia and the Aussie Red dairy breed.



Staff responsible for upgrading the Parwan Park collection facility to EU accreditation: (l-r) Michelle Clark, Terry Dodd, Brendan Vallence (Farm Manager), MEDALLION, John Pedretti and holding MEDALLION Simon Amor.

Fourthly, **access to customers.** Having great products we know is only part of a successful formula. This must be matched by great relationships and cost effective access to all our farmer customers. We must continue to emphasise full support to our reseller partners, balanced with our retail business.

### Our mission remains a key driver

The provision of the best quality genetics remains a core activity and is central to the Genetics Australia existence. As a cooperative that is involved in production and in marketing, this marks us out as unique in our sector and certainly different to many other players within the market.

Many years ago, shareholder members and the Board of Directors spent valuable time defining exactly what the cooperative's whole purpose for existence was. This guides so many of our decisions on a day-to-day basis and the long term. We have reviewed this recently to ensure it remains relevant and contemporary — in essence this is what it says:



Genetics Australia invests heavily in progeny testing to identify leading proven bulls for Australian farmers. Long-term progeny test member Darren Lavarda, of Fish Creek Vic., is photographed with his impressive QUINTY daughter.

*'To maximise dairy farm sustainability using innovation and initiative to provide, at reasonable cost, quality genetics, services and information to improve Australian herd improvement, gain active member support and in so doing underpin the long term viability of the Cooperative.'*

Genetics Australia is totally committed to achieving these aspirations and will continue to do all we can to advance our overall position. Accordingly, Genetics Australia will continue to review, and where necessary extend, our relationship with global supply partners to ensure members have access to the best quality, internationally-sourced genetics from the US, Italy, Spain, Holland, Germany and other regions relevant to our market needs. This will make certain we can offer the strongest catalogue of leading bulls in the Australian market.

And with the EU accreditation for our production centre, Genetics Australia intends to place a higher emphasis on our export activity to target selected international markets appropriate to a pasture based system. We have already started working closely with Austrade and Trade-Smart to secure Federal and State support. Alongside this will be a renewed effort to develop our herd services and herd recording business and maintain a cost-effective supply chain activity – in both these areas a key focus is the efficient use of our resources that is essential to maintain the infrastructure, and re-investment in equipment that is necessary to support the success of our shareholder members.

### And who does all this work?

I close by expressing my sincere thanks to the Chairman and Board of Directors for their support and guidance in my first year. I want to strongly applaud and acknowledge all the staff at the group, both at Bacchus Marsh and in our many branches and regions, for their dedicated and passionate service.

Genetics Australia has a renewed belief and confidence in creating an exciting future for the 'New GA'. I want all our shareholder members to be an active part of making your cooperative the leader in Australia and a successful player on the world stage.

Chief Executive Officer

## Director profiles



**Ross Gordon**  
(Chairman)  
Dip. Farm Man.  
Cohuna, Vic.

Ross was elected to the Board in November 2006. He was a director of Northern Herd Development Cooperative Ltd for fourteen years, including three years as Chairman. Ross is a member of the Audit and Risk Management Committee. Ross became Chairman of the Cooperative in November 2010.



**Simon Bennett**  
(Deputy Chairman)  
MAICD, Dip. Ag.  
Elizabeth Town, Tas.

Simon was appointed to the Board in August 2004. He has a Diploma in Agriculture. In 2004, he was elected to the Australian Dairy Conference board. He has completed the Australian Institute of Company Directors course. Simon is a member of the Audit and Risk Management Committee.



**Wesley Brown**  
Tamworth, NSW

Wes joined the Board in November 2010 and farms in Tamworth NSW. He is a former Holstein Australia NSW Branch President and Federal delegate. He has also represented suppliers as a Ward Representative for Dairy Farmers Limited.



**Noel Campbell**  
Dip. Mech. Eng., FAICD  
Yannathan, Vic.

Noel was elected to the Board in 2007. He previously served on the Board from 1992 to 1999. He has business experience in a number of fields, was Chairman of Bonlac Supply Company for 8 years and Chairman of Fonterra Australian Forum for 2 years. He is a Board member of Australian Dairy Farmers Limited.



**Frank Davis**  
FCPA, F.Fin, FAIM, FAICD Dip.  
Carlton, Vic.

Frank was appointed to the Board in 2008. He is currently Chairman of Warrnambool Cheese and Butter Limited. He has extensive experience in a number of fields. He is also Chairman of the Audit and Risk Management Committee.



**Bryan Dickson**  
Terang, Vic.

Bryan was elected to the Board in 2007. He is also a board member of Demo Dairy Terang. Bryan is a member of Holstein Australia and the UDV. Bryan resigned from the board on 25th July 2011.



**Trevor Henry**  
Maffra, Vic.

Trevor was appointed to the Board in May 2010 to fill a casual vacancy. Trevor is Chairman of the Macallister Research Farm Board. He is also Chairman of the Animal Welfare Committee.



**Jens Karnoe**  
MBus (Mktg), FAMI, CPM, FAICD  
East Malvern, Vic.

Appointed in August 2004, Jens has over 25 years experience in marketing, with senior positions at a number of well-known companies. He holds a Masters degree in Marketing, and is a Fellow of the Australian Institute of Company Directors and the Australian Marketing Institute.

### Meetings of Directors

The number of directors' meetings and the number of meetings attended, together with the number of Special Attendances made by each of the directors during the financial year, were:

Director	Board Meetings		Audit & Risk Management Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended
S Bennett	12	12	9	9
N Campbell	12	10		
T Henry	12	12		
F Davis	12	11	9	9
B Dickson	12	12		
W Brown	6	6	6	6
R Gordon	12	12	3	3
J Karnoe	12	12	5	5
C Gardner	6	6		



Based in regional Victoria, Genetics Australia has now obtained EU accreditation, allowing us to extend our export activity to several international markets and also expand our export of live bulls to China.

Your Directors present their report, together with the audited financial report of the Genetics Australia Cooperative Ltd and Controlled Entities (the Consolidated Group or Group) for the financial year ended 30th June, 2011.

The Directors of the Cooperative in office at any time during or since the end of the financial year and up to the date of this report are:

Ross Kenneth Gordon (Chairman)  
Simon Francis Bennett (Deputy Chairman)  
Wesley Brown (appointed 22nd November 2010)  
Noel Robert Campbell  
Trevor Henry  
Jens Peter Karnoe  
Bryan John Dickson (resigned 25th July 2011)  
Colin Gardner (former Chairman, retired 22nd November 2010)

Refer to page 6 for the Director's qualifications and meeting attendances.

The principal activities of the Group during the financial year were the proving and sale of genetically superior bull semen for Australian conditions and the sale of other related goods and services to Australian dairy farmers.

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

The net profit of the Group after providing for income tax amounted to \$7,772 after eliminating the loss attributable to outside equity interest.

A review of the operations of the Group is set out in the Chairman's Review.

Other than those outlined in the Chairman's Review, no other significant changes in the Group's state of affairs occurred during the financial year.

The Directors recommend that no dividend be paid.

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

The likely developments in the operations of the Group in subsequent financial years are set out in the Chairman's review. In the opinion of the Directors, disclosure of any further information on likely developments would be unreasonably prejudicial to the interests of the Group.

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth of a State or Territory.

The Group has not, during the course of the year or since the end of the year, granted to a person a formal option to have issued to him/her a share in the Group.

No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

Rule 63 of the constitution of the Cooperative indemnifies officers in accordance with section 227 of the *Co-operative Act 1996*. Further, during the year, the Group paid an insurance policy for the benefit of officers of the Group. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

## Auditor's Independent Declaration

A copy of the auditor's independence declaration as requested under section 307C of the Corporation Act is set out below.

This Report is made in accordance with a resolution of the Board and signed for and behalf of the Directors.

Ross Gordon, Chairman

Simon Bennett, Deputy Chairman

Bacchus Marsh, 24th October, 2011



### Auditor's independence declaration under S 307C of the Corporations Act 2001 to the Directors of Genetics Australia Cooperative Limited and Controlled Entities

I declare that, to the best of my knowledge, during the year ended 30 June 2011 there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

Bell Partners

Ryan H Dummett (Partner)

Registered Company Auditor 217647

Dated this 21st day of October 2011

Level 7, 468 St. Kilda Rd, Melbourne, VIC 3004

Liability limited by a scheme approved under Professional Standards Legislation.



*An impressive team by any measure. The front cover features 2011 new graduates Holstein MEDALLION, Jersey GAINFUL and Aussie Red ARBLEX. The back cover features young genomic sensation JETFINN and the leading Holstein bull available from the USA in 7H8081 Planet. They lead a team of bulls that is second to none and available to Australian dairy farmers.*

## Income Statement

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	3	16,653,028	14,075,666
Changes in inventories of finished goods		(47,172)	386,540
Raw materials and consumables used		(5,885,359)	(4,662,012)
Stock writedown		(148,044)	(548,073)
Employee benefits expense		(5,838,046)	(5,605,903)
Depreciation and amortisation expense	4	(879,690)	(883,973)
Finance costs	4	(281,370)	(304,798)
Shareholder benefits		(86,016)	(156,000)
Other expenses	4	(3,492,970)	(4,137,914)
Earnings before sale of assets		(5,639)	(1,836,467)
Profit on sale of Properties and Investments		–	1,603,811
Profit/(Loss) before Income Tax		(5,639)	(232,656)
Income tax (expense) / benefit	5	(44,685)	12,960
Profit/(loss) for the year		(50,324)	(219,696)
Profit/(Loss) attributable to:			
Members of the parent entity		7,772	(165,610)
Non-controlling interest		(58,096)	(54,086)
		<b>(50,324)</b>	<b>(219,696)</b>

## Statement of Comprehensive Income

For the year ended 30 June 2011

Profit/(loss) for the year	(50,324)	(219,696)
Other comprehensive income for the year		
Net gain on revaluation of land and buildings	–	3,524,849
Total other comprehensive income for the year, net of tax	–	3,524,849
Total comprehensive income for the year	(50,324)	3,305,153
Total comprehensive income/(loss) attributable to:		
Members of the parent entity	7,772	3,359,239
Non-controlling interest	(58,096)	(54,086)
	<b>(50,324)</b>	<b>3,305,153</b>

The accompanying notes form part of these financial statements.

# Statement of Financial Position

As at 30 June 2011

	Note	2011 \$	2010 \$
<b>Current Assets</b>			
Cash and cash equivalents	8	6,266	17,477
Trade and other receivables	9	3,727,435	4,538,466
Inventories	10	3,334,126	3,381,298
Other assets	11	88,417	42,417
<b>Total Current Assets</b>		<b>7,156,244</b>	<b>7,979,658</b>
<b>Non-Current Assets</b>			
Financial assets	12	27,364	36,638
Property, plant & equipment, and motor vehicles	14	11,819,206	12,006,346
Livestock	14	584,154	619,799
Intangibles	15	33,064	33,064
<b>Total Non-Current Assets</b>		<b>12,463,788</b>	<b>12,695,847</b>
<b>Total Assets</b>		<b>19,620,031</b>	<b>20,675,505</b>
<b>Current Liabilities</b>			
Trade and other payables	16	3,357,250	3,975,033
Financial Liabilities	17	2,714,335	3,108,224
Short-term provisions	20	659,715	638,409
<b>Total Current Liabilities</b>		<b>6,731,300</b>	<b>7,721,666</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	17	377,316	452,632
Other financial liabilities	18	100,641	101,222
Deferred tax liability	19	847,003	802,317
Long-term provisions	20	62,966	45,038
<b>Total Non-Current Liabilities before member's share capital</b>		<b>1,387,926</b>	<b>1,401,209</b>
Member's interest	26	153,559	155,059
<b>Total Non-Current Liabilities</b>		<b>1,541,485</b>	<b>1,556,268</b>
<b>Total Liabilities</b>		<b>8,272,785</b>	<b>9,277,934</b>
<b>Net Assets</b>		<b>11,347,247</b>	<b>11,397,571</b>
<b>Equity</b>			
Reserves		4,832,410	4,832,410
Retained earnings		6,627,018	6,619,247
<b>Parent interest</b>		<b>11,459,428</b>	<b>11,451,657</b>
Non-controlling interest		(112,182)	(54,086)
<b>Total Equity</b>		<b>11,347,247</b>	<b>11,397,571</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2011

	Retained Earnings	General Reserve	Asset Revaluation Reserve	Non-controlling Interest	Total
	\$	\$	\$	\$	\$
<b>Balance at 30 June 2009</b>	<b>6,784,857</b>	<b>1,307,561</b>	<b>-</b>	<b>-</b>	<b>8,092,418</b>
Profit (loss) for the year	(165,610)	-	-	(54,086)	(219,696)
Total other comprehensive income for the year	-	-	3,524,849	-	3,524,849
<b>Balance at 30 June 2010</b>	<b>6,619,247</b>	<b>1,307,561</b>	<b>3,524,849</b>	<b>(54,086)</b>	<b>11,397,571</b>
Profit (loss) for the year	7,772	-	-	(58,096)	(50,324)
Total other comprehensive income for the year	-	-	-	-	-
<b>Balance at 30 June 2010</b>	<b>6,627,019</b>	<b>1,307,561</b>	<b>3,524,849</b>	<b>(112,182)</b>	<b>11,347,247</b>

## Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers		17,538,173	14,659,547
Other revenue		107,850	167,471
Payments to suppliers & employees		(17,524,173)	(14,871,023)
Finance costs paid		(281,370)	(304,798)
<b>Net cash provided by/(used in) operating activities</b>	<b>23</b>	<b>(159,520)</b>	<b>(348,803)</b>
<b>Cash Flow from Investing Activities</b>			
Payments for property, plant, equipment, motor vehicles and livestock		(718,682)	(1,351,823)
Payments for trademarks and investments		-	(21,124)
Proceeds from sale of properties and investments		1,276,498	1,664,103
Proceeds from sale of plant, equipment, motor vehicles and livestock		61,779	107,806
<b>Net cash provided by/(used in) investing activities</b>		<b>619,595</b>	<b>398,962</b>
<b>Cash Flow from Financing Activities</b>			
Proceeds from share issues/(redemptions)		(1,500)	(1,085)
Proceeds from borrowings		(114,288)	311,633
Repayment of borrowings		(650,000)	(400,000)
Loans from/(to) other parties		(581)	(770)
<b>Net cash provided by/(used in) financing activities</b>		<b>(766,369)</b>	<b>(90,222)</b>
Net increase/(decrease) in cash held		(306,294)	(39,293)
Cash at beginning of financial year		(46,254)	(6,961)
<b>Cash at end of financial year</b>	<b>8</b>	<b>(352,548)</b>	<b>(46,254)</b>

The accompanying notes form part of these financial statements.

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report includes the consolidated financial statements and notes of Genetics Australia Cooperative Limited and controlled entities (the 'Group').

The separate financial statements of the parent entity, Genetics Australia Cooperative Limited, have not been presented within the financial report as permitted by amendments to the Corporations Act 2001 effective as at 28 June 2010.

### Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (Including Australian Accounting Interpretations), the *Corporations Act 2001* and the *Co-operatives Act 1996*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

### Reporting Basis and Conventions

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Genetics Australia Cooperative Limited at the end of the reporting period. A controlled entity is any entity over which Genetics Australia Cooperative Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 13 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the Equity section of the consolidated Statement of Financial Position and Statement of Comprehensive Income. The non-controlling shareholder's interest in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

### Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit and loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charges or credited outside the profit and loss when the tax relates to items that are recognised outside the profit and loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates enacted or substantially enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred

tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The Group is not registered as a consolidated tax group for the purpose of income tax.

### Inventories

Inventories are measured at the lower of cost or net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

### Property, Plant, Equipment and Livestock

Freehold land and buildings are shown at fair value (being the amount for which as asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In the periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct directors' valuations to ensure the carrying amount of land and buildings is not materially different to the fair value.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation surpluses directly in other comprehensive income; all other decreases are charged to the statement of comprehensive income.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

### Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

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

The cost of fixed assets constructed within the group includes the cost of materials, direct labour, borrowing costs and an appropriate apportionment of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### Livestock

Livestock is measured on the cost basis less accumulated depreciation and impairment losses.

### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation rate
Buildings	2.5-20%
Plant and Equipment	4-27%
Leased Plant and Equipment	4-27%
Livestock	20%

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

### Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

# Notes to the Financial Statements

For the year ended 30 June 2011

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 under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

## Financial Instruments

### Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to statement of comprehensive income immediately.

### Classification and Subsequent Measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Amortised cost is calculated as: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and (iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the statement of comprehensive income.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

### Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date, which will be classified as non-current assets.

### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date, which will be classified as current assets.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as available-for-sale.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date, which will be classified as current assets.

### Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

### Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-

for-sale financial instruments, a significant or prolonged decline below cost of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Group no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in statement of comprehensive income.

### Impairment of Assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates of jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

### Intangibles

Intangibles include trademarks, customer lists and establishment costs which are capitalised, and subject to the impairment of assets testing. Intangible assets are amortised over their useful lives.

## Foreign Currency Transactions and Balances

### Functional and presentation currency

Each group entity operates in Australia and uses the Australian dollar as their functional currency. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. There has been no change in the functional and presentation currency of the group.

### Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in other comprehensive income as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the statement of comprehensive income.

### Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

### Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at reporting date.

### Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### Revenue

Revenue from the sale of goods is recognised upon delivery of goods as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in these goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent to the instrument.

Revenue recognition relating to the provision of services is determined with

reference to the stage of completion of the transaction at the end of each reporting period and where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

## Shareholder benefits

Rebates provided to shareholders of the Group have been aggregated in the statement of comprehensive income as an expense "Shareholder Benefits". In addition, Shareholders have received discounted prices on semen purchased during the financial year.

## Trade and Other Payables

Trade and other payables represent the liability outstanding at reporting date for goods and services received by the Group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

## Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

## Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australia Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cashflows.

## Members Interest

Members share capital is treated as a liability. Classification in this manner occurs because the Cooperative must forfeit and ultimately repay share capital that is forfeited under the inactive membership rules contained in the *Co-operatives Act 1996* and the Rules of the Cooperative.

## Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

## Key estimates

### Employee Entitlements

The Group assesses the probability that staff reach 7 years of service and become entitled to long service leave. This assessment is done by evaluating current trends and expectations of future events. At the reporting date it is expected that all annual leave will be used or paid out within 12 months.

## Key judgements

### Impairment

The Group assessed that no indicators of impairment existed at the reporting date and as such no impairment testing was performed.

The financial report was authorised for issue on 7th October 2011.

## New and Revised Accounting Standards

### New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application date for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

**AASB 9: Financial Instruments [December 2010] (applicable for annual reporting periods commencing on or after 1 January 2013).**

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The Group has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in

other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

**AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052] (applicable for annual reporting periods commencing on or after 1 July 2013)**

AASB 1053 establishes a revised differential financial reporting framework consisting of two tiers of financial reporting requirements for those entities preparing general purpose financial statements:

Tier 1: Australian Accounting Standards; and

Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 of the framework comprises the recognition, measurement and presentation requirements of Tier 1, but contains significantly fewer disclosure requirements.

The following entities are required to apply Tier 1 reporting requirements (i.e. full IFRS):

- for-profit private sector entities that have public accountability; and
  - the Australian Government and State, Territory and Local Governments.
- Subject to AASB 1049, General Government Sectors of the Australian Government and State and Territory Governments would also apply Tier 1 reporting requirements.

The following entities can elect to apply Tier 2 of the framework when preparing general purpose financial statements:

- for-profit private sector entities that do not have public accountability;
- not-for-profit private sector entities; and
- public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

AASB 2010-2 makes amendments to Australian Accounting Standards and Interpretations to give effect to the reduced disclosure requirements for Tier 2 entities. It achieves this by specifying the disclosure paragraphs that a Tier 2 entity need not comply with as well as adding specific 'RDR' disclosures.

**AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).**

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the Group.

**AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011)**

This Standard details numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian Accounting Standard financial statements;
  - adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
  - amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
  - adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
  - making sundry editorial amendments to various Standards and Interpretations.
- This Standard is not expected to impact the Group.

**AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).**

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes

# Notes to the Financial Statements

For the year ended 30 June 2011

made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

*AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).*

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Group has not yet determined any potential impact on the financial statements from adopting AASB 9.

*AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).*

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112. The amendments are not expected to impact the Group.

## NOTE 2: PARENT INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

STATEMENT OF FINANCIAL POSITION	2011 \$	2010 \$
<b>ASSETS</b>		
Current Assets	6,148,756	7,344,523
<b>Total Assets</b>	<b>17,654,910</b>	<b>20,025,893</b>
<b>LIABILITIES</b>		
Current Liabilities	3,195,050	4,535,741
Members Interest	153,558	155,059
<b>Total Liabilities</b>	<b>6,019,288</b>	<b>8,488,209</b>
	<b>11,635,623</b>	<b>11,537,684</b>
<b>EQUITY</b>		
General Reserve	1,307,561	1,307,561
Asset Revaluation Reserve	3,524,849	3,524,849
Retained earnings	6,803,213	6,705,274
<b>Total Equity</b>	<b>11,635,623</b>	<b>11,537,684</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Total Profit (Loss) for the year	97,927	(79,575)
<b>Total Comprehensive Income</b>	<b>97,927</b>	<b>3,445,274</b>

### Guarantees

Genetics Australia Cooperative Limited has gone guarantor for 60% of \$250,000 Bank Overdraft in the previous financial year in relation to its subsidiary Global Sires Pty Ltd.

### Contingent Liabilities

The directors are not aware of the existence of any contingent liabilities or contingent assets that exist as at the reporting date.

### Contractual Commitments

The Directors are not aware of any contractual commitments for the acquisition of property, plant and equipment as at the end of the reporting period.

NOTE 3: REVENUE	Note	2011 \$	2010 \$
Sales Revenue			
– sale of goods		13,046,585	11,105,148
– genetic and other services		3,498,593	2,757,755
<b>Total sales revenue</b>		<b>16,545,178</b>	<b>13,862,903</b>
Other Revenue			
– other non-trading income		107,850	167,471
– gain on disposal of plant and equipment		–	45,292
<b>Total other revenue</b>		<b>107,850</b>	<b>212,763</b>
<b>Total sales revenue and other revenue</b>		<b>16,653,028</b>	<b>14,075,666</b>

## NOTE 4: PROFIT BEFORE INCOME TAX

### a. Expenses:

Cost of sales		5,885,359	4,662,012
Finance costs – External		281,370	304,798
Depreciation of non-current assets	14	879,690	883,973
Other Expenses from ordinary activities			
– marketing		413,350	398,520
– vehicle expenses		825,767	719,047
– breeding development		227,528	273,379
– travel & accommodation		214,054	180,782
– communication		297,448	417,051
– repairs & maintenance		131,605	123,224
– consultants		158,738	143,398
– insurance		118,990	112,574
– operating leases		181,880	195,955
– fodder and farm stores		133,136	183,211
– bull proving costs		179,205	170,566
– other		611,268	1,220,208
		<b>3,492,970</b>	<b>4,137,914</b>

### b. Significant Revenue and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

– sale of goods	13,046,585	11,105,148
– genetic and other services	3,498,593	2,757,755
– sale of property	–	1,603,811
– raw materials and consumables used	(5,885,359)	(4,662,012)
– employee benefits expense	(5,838,046)	(5,605,903)
– vehicle expenses	(825,767)	(719,047)
– consultants	(158,738)	(143,398)
– loss on disposal of non-current assets	–	(23,468)
– inventory write downs	(148,044)	(548,073)

## NOTE 5: INCOME TAX BENEFIT

(a) The components of tax expense comprise:

Current tax	–	–
Deferred tax	46,157	(13,795)
Under/over provision in prior year	(1,472)	835
	<b>44,685</b>	<b>(12,960)</b>

(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

Prime facie tax payable on profit/(loss) from ordinary activities before income tax @ 30%	(1,692)	(69,797)
Add		
Tax effect of:		
– Non-deductible expenses	(42,993)	1,198
– Other assessable income	–	70,109
	<b>(42,993)</b>	<b>71,307</b>
Less		
Tax effect of:		
– Non-assessable income	–	–
– Other deductible expenses	–	14,470
	<b>–</b>	<b>14,470</b>
<b>Income tax expense attributable to entity</b>	<b>(44,685)</b>	<b>(12,960)</b>

(c) Tax effects relating to other comprehensive income

Current tax	–	–
Deferred tax	–	1,510,650

NOTE 6: AUDITORS' REMUNERATION	Note	2011 \$	2010 \$
Remuneration of auditor			
– audit		41,014	35,000
– other services		18,000	35,250
<b>Total remuneration of auditor</b>		<b>59,014</b>	<b>70,250</b>

## NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION (DIRECTORS/EXECUTIVE)

The total of the remuneration paid to key management personnel of the group during the year is as follows:

– Directors (excluding CEO)	172,177	192,767
– Executives	430,766	350,121
	<b>602,943</b>	<b>542,888</b>

Key management personnel include any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

## NOTE 8: CASH AND CASH EQUIVALENTS

Cash at bank and on hand 6,266 17,477

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank and on hand	6,266	17,477
Bank overdraft – secured	(358,814)	(63,731)
	<b>(352,548)</b>	<b>(46,254)</b>

## NOTE 9: TRADE AND OTHER RECEIVABLES

Trade receivables	3,696,742	3,336,755
Provision for impairment of receivables 9(a)	(10,000)	(65,515)
	<b>3,686,742</b>	<b>3,271,241</b>

Other receivables	40,692	1,267,224
	<b>3,727,435</b>	<b>4,538,465</b>

Note 9(a): Provision for Impairment of Receivables

Current trade receivables are non-interest bearing loans and generally on 30 day terms. Non-current trade receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

	Opening Balance 1/7/2009	Charge for the Year	Amounts Written Off	Closing Balance 30/6/2010
Current Trade Receivable	\$ 45,031	\$ 20,484	\$ –	\$ 65,515
	Opening Balance 1/7/2010	Charge for the Year	Amounts Written Off	Closing Balance 30/6/2011
Current Trade Receivable	\$ 65,515	\$ 11,396	\$ (66,911)	\$ 10,000

## Credit risk

The Group has no significant concentration of credit risk with respect to any single counterparty or Group of counterparties other than those receivables specifically provided for and mentioned within Note 9. The main source of credit risk to the Group is considered to relate to the class of assets described as 'trade and other receivables'.

The table at the bottom of this page details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

## NOTE 10: INVENTORIES

Note	2011 \$	2010 \$
Semen at cost	2,147,554	1,820,340
Semen at net realisable value	–	79,504
Merchandise at cost	1,125,390	1,422,972
Hay at cost	61,182	58,482
	<b>3,334,126</b>	<b>3,381,298</b>

## NOTE 11: OTHER ASSETS

Prepayments	88,417	42,417
	<b>88,417</b>	<b>42,417</b>

## NOTE 12: FINANCIAL ASSETS

Shares in other entities – at cost	27,364	36,638
------------------------------------	--------	--------

## NOTE 13: CONTROLLED ENTITIES

Controlled Entities Consolidated

Subsidiaries of Genetics Australia Cooperative Limited:

	Country of Corporation	Percentage of Ownership*	
		2011	2010
Genetics Australia Pty Ltd	Australia	100%	100%
Gene Express Pty Ltd	Australia	100%	100%
Global Sires Pty Ltd	Australia	60%	60%

\* Percentage of ownership is based on percentage of voting power

Table: Group Trade and Other receivables exposed to Credit risk		Gross Amount	Past due and impaired	Past due but not impaired (days overdue)		Within initial trade terms
				30 days	60 days	
	2011	\$	\$	\$	\$	\$
	Trade receivables	3,696,742	10,000	372,876	212,924	3,100,942
	Other receivables	40,692	–	–	–	40,692
	<b>Total</b>	<b>3,737,435</b>	<b>10,000</b>	<b>372,876</b>	<b>212,924</b>	<b>3,141,634</b>
	2010	\$	\$	\$	\$	\$
	Trade receivables	3,336,755	65,515	214,595	191,706	2,864,939
	Other receivables	1,267,224	–	–	–	1,267,224
	<b>Total</b>	<b>4,603,979</b>	<b>65,515</b>	<b>214,595</b>	<b>191,706</b>	<b>4,132,163</b>

# Notes to the Financial Statements

For the year ended 30 June 2011

## NOTE 14: PROPERTY, PLANT & EQUIPMENT, MOTOR VEHICLES AND LIVESTOCK

	2011 \$	2010 \$
Land and Buildings – at Fair Value less accumulated depreciation	10,277,476 (57,361)	10,220,000 –
	10,220,115	10,220,000
Plant, Equipment & Motor Vehicles at cost less accumulated depreciation	6,970,506 (5,371,415)	6,730,942 (4,944,596)
	1,599,091	1,786,346
<b>Total Property, Plant &amp; Equipment</b>	<b>11,819,206</b>	<b>12,006,346</b>
Livestock at cost less accumulated depreciation	1,415,632 (831,478)	1,626,245 (1,006,446)
	584,154	619,799

	Land and Buildings	Plant, Equipment & Motor Vehicles	Livestock	Total
Balance at 1st July 2009	5,705,978	1,408,842	568,860	7,683,680
Additions	57,733	950,470	343,620	1,351,823
Disposals	(526,256)	(4,518)	(30,110)	(560,884)
Depreciation expense	(52,954)	(568,448)	(262,571)	(883,973)
Revaluation	5,035,499	–	–	5,035,499
Balance at 30th June 2010	10,220,000	1,786,346	619,799	12,626,145
Additions	57,476	440,122	221,090	718,687
Disposals	–	(36,297)	(25,485)	(61,782)
Depreciation expense	(57,361)	(591,079)	(231,250)	(879,690)
Revaluation	–	–	–	–
Carrying amount at 30th June 2011	10,220,115	1,599,091	584,154	12,403,360

### Asset revaluations – Land and Buildings

The directors revalued land and buildings of the Group at 30th June 2010 on a going concern basis. This directors' valuation was supported by recent independent valuations performed on some of the properties in April 2010 and June 2010. The total increase in the fair value of the land and buildings was \$5,035,499. The revaluation increment was credited directly to the asset revaluation reserve net of any income tax effect.

## NOTE 15: INTANGIBLES

	2011 \$	2010 \$
Establishment Costs	14,494	14,494
Trademarks	15,843	15,843
Customer List	2,727	2,727
	33,064	33,064

## NOTE 16: TRADE AND OTHER PAYABLES

Current		
Trade payables	2,987,790	3,066,370
Sundry payables and accrued expenses	369,460	908,663
	3,357,250	3,975,033

## NOTE 17: FINANCIAL LIABILITIES

Current		
Bank overdraft secured	358,814	63,731
Bank loan secured	2,150,000	2,800,000
Finance Loan – Hire Purchase/Chattel Mortgage	205,521	244,493
	2,714,335	3,108,224
Non-current		
Finance Loan - Hire Purchase/Chattel Mortgage	377,316	452,632
	377,316	452,632
(a) Total current and non-current secured liabilities:		
Bank overdraft	358,814	63,731
Bank loan	2,150,000	2,800,000
	2,508,814	2,863,731

(b) The carrying amounts of non-current assets pledged as security are:

	2011 \$	2010 \$
First mortgage		
Freehold land and buildings	7,820,000	7,820,000
Hire Purchase/Chattel Mortgage		
Motor Vehicles	582,837	626,683
	8,402,837	8,446,683

## NOTE 18: OTHER FINANCIAL LIABILITIES

Non-current		
Debentures	100,641	101,222

The debentures have a 10 year maturity and are non-interest bearing. They are created upon the cancellation of shares of inactive members.

## NOTE 19: TAX

### a) Assets (Liabilities)

Deferred tax assets (liabilities) comprise:		
Tax allowances relating to property, plant and equipment, motor vehicles and livestock	(1,924,832)	(1,925,228)
Provisions	201,112	224,691
Other	876,717	898,219
	(847,003)	(802,318)

### b) Reconciliations

#### (i) Gross Movements

The overall movements in the deferred tax account is as follows:

Opening balance	(802,318)	695,372
Credited (charged) to the income statement	(44,685)	12,960
Credited (charged) to equity	–	(1,510,650)
Closing balance	(847,003)	(802,318)

#### (ii) Deferred Tax Assets (liabilities)

The movement in deferred tax assets for each temporary difference during the year is as follows:

Tax Allowances relating to		
Property, Plant & Equipment		
Opening balance	(1,925,228)	(405,579)
Credited (charged) to the income statement	396	(8,999)
Credited (charged) to equity – Revaluation	–	(1,510,650)
Closing balance	(1,924,832)	(1,925,228)

Provisions		
Opening balance	224,691	207,183
Credited (charged) to the income statement	(23,579)	17,508
Closing balance	201,112	224,691

Other		
Opening balance	898,219	893,768
Credited (charged) to the income statement	(22,974)	5,286
Under (over) Provision prior year	1,472	(835)
Closing balance	876,717	898,219
	(847,003)	(802,318)

## NOTE 20: PROVISIONS

Current		
Annual Leave	274,944	272,870
Long Service Leave	384,770	365,539
	659,715	638,409
Non Current		
Long Service Leave	62,966	45,038
	62,966	45,038
Aggregate employee entitlements liability	722,680	683,447
Employee Benefits		
Opening balance at beginning of year	683,447	645,511
Additional provisions raised during the year	314,296	304,587
Amounts used	(275,063)	(266,651)
Balance at end of year	722,680	683,447

### Provision for Employee Benefits

A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1.

	Full Time	Part Time	Casuals	Total
Number of Employees as at 30 June 2011	59	6	30	95

### NOTE 21: RESERVES

Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non current assets.

### NOTE 22: CAPITAL AND LEASING COMMITMENTS

Operating lease commitments

Non-cancellable property leases contracted for but not capitalised in the financial statements:

	2011 \$	2010 \$
Payable – minimum lease payments		
– not later than one year	31,164	77,144
– later than one year but not later than two years	–	32,176
– later than two years but not later than five years	–	624
	31,164	109,944

Non-cancellable Hire Purchase/Chattel Mortgage capitalised in the financial statements:

	2011 \$	2010 \$
Payable – minimum lease payments		
– not later than one year	205,521	244,493
– later than one year but not later than two years	202,945	179,173
– later than two years but not later than five years	174,371	273,460
	582,837	697,126

## Notes to the Financial Statements

For the year ended 30 June 2011

### NOTE 23: CASH FLOW INFORMATION

	2011 \$	2010 \$
Reconciliation of cash flow from operations with profit after income tax		
Profit/(Loss) after income tax	(50,324)	(219,696)
Non-cash flows in profit from ordinary activities		
Depreciation	879,690	883,973
Net profit on disposal of plant and equipment	–	(1,649,103)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables (excluding cash flows related to investing activities)	(456,194)	(567,153)
(Increase)/decrease in other assets	(46,000)	(18,617)
(Increase)/decrease in inventories	47,172	(386,540)
Increase/(decrease) in trade and other payables	(617,784)	1,584,127
(Increase)/decrease in deferred tax assets/liabilities	44,684	(12,960)
Increase/(decrease) in provisions	39,234	37,936
Increase/(decrease) in debentures	–	–
Cash flow from operations	(159,520)	(348,033)

### NOTE 24: CREDIT STAND-BY ARRANGEMENT AND LOAN FACILITIES

The Group has a bank overdraft, commercial bill and other finance facilities amounting to \$3,532,837 (2010: \$4,297,125). At 30 June 2011 \$3,091,651 of this facility was used (2010: \$3,560,856). Interest rates are variable.

### NOTE 25: FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, bills and hire purchase liabilities.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 \$	2010 \$
<b>Financial Assets:</b>			
Cash & cash equivalents	7	6,266	17,477
Receivables	8	3,727,435	4,538,466
Financial assets	13	27,364	36,638
<b>Total Financial Assets</b>		<b>3,761,065</b>	<b>4,592,581</b>
<b>Financial Liabilities:</b>			
Financial liabilities at amortised cost:			
– Trade & other payables	16	3,357,250	3,975,033
– Bank overdraft secured	17	358,814	63,731
– Bank bills/loans secured	17	2,833,478	3,598,348
<b>Total Financial Liabilities</b>		<b>6,549,542</b>	<b>7,637,113</b>

### Specific Financial Risk Exposures and Management

(a) Credit Risk

The customers of Genetics Australia pay within the credit terms which are generally 30 to 90 days from the date of invoice.

Credit Risk Exposures

Genetics Australia has no significant concentrations or credit risk with any single counterparty or group of counterparties. The Group manages the risk by producing to the Board monthly cash flows and detailed projected three and twelve months cash flows with itemised local and overseas payments.

(b) Liquidity Risk

The management of Genetics Australia prepare monthly 9 months projected cash flow for the board to review to ensure that the group has sufficient funds to pay its debts as and when they fall due (see table below).

(c) Market Risk

(i) Interest rate risk

The Group has only interest rate exposure to the commercial bills in the value of \$2,150,000.

(ii) Sensitivity Analysis

Year ended	Consolidated Group			
	30 June 2011		30th June 2010	
	Profit \$	Equity \$	Profit \$	Equity \$
± 2% in interest rates	30,100	30,100	39,200	39,200

Liquidity Risk	Within 1 Year		1 to 5 years		Over 5 years		Total	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Financial liability due for payment								
– Bank overdrafts	358,814	63,731	–	–	–	–	358,814	63,731
– Bank Commercial Bills	2,150,000	2,800,000	–	–	–	–	2,150,000	2,800,000
– Trade Payables	3,357,250	3,975,033	–	–	–	–	3,357,250	3,975,033
– Finance Lease Liabilities	205,521	24,493	377,316	452,632	–	–	582,837	477,125
– Debentures	–	–	–	–	100,641	101,222	100,641	101,222
<b>Total Contractual Outflows</b>	<b>6,071,585</b>	<b>6,863,257</b>	<b>377,316</b>	<b>452,632</b>	<b>100,641</b>	<b>101,222</b>	<b>6,549,543</b>	<b>7,417,111</b>
Less Bank Overdraft	(358,814)	(63,731)	–	–	–	–	–	–
<b>Total Expected Outflows</b>	<b>5,712,771</b>	<b>6,799,526</b>	<b>377,316</b>	<b>452,632</b>	<b>100,641</b>	<b>101,222</b>	<b>6,549,543</b>	<b>7,417,111</b>
<b>Financial Assets</b>								
– Cash Flows Realisable	–	–	–	–	–	–	–	–
– Cash and Cash Equivalents	6,266	17,477	–	–	–	–	6,266	17,477
– Trade Receivables	3,727,435	4,538,465	–	–	–	–	3,727,435	4,538,465
– Other Investments	–	–	–	–	–	–	–	–
<b>Total anticipated Inflows</b>	<b>3,733,701</b>	<b>4,555,942</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,733,701</b>	<b>4,555,942</b>
<b>Net (outflow)/inflow</b>	<b>(1,979,071)</b>	<b>(2,243,584)</b>	<b>(377,316)</b>	<b>(452,632)</b>	<b>(100,641)</b>	<b>(101,222)</b>	<b>(2,815,842)</b>	<b>(2,861,169)</b>

# Notes to the Financial Statements

For the year ended 30 June 2011

	2011 \$	2010 \$
<b>NOTE 26: MEMBERS INTEREST</b>		
(a) Movements in Share on Issue:		
Opening balance – 224,639 fully paid shares	155,059	156,144
Shares issued during the year	–	245
Shares cancelled/redeemed during the year	(1,500)	(1,330)
Closing balance – 217,034 fully paid shares	153,559	155,059

	2011	2010
Number of Members	4,089	4,087
Number of Shares forfeited under Part 6 of the <i>Co-operative Act 1996</i> (Victoria)	–	–

## NOTE 27: SEGMENT REPORTING

The Group operates predominantly in one business and geographical segment being the proving and supply of genetics material throughout Australia.

## NOTE 28: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The directors are not aware of the existence of any contingent liabilities or contingent assets that exist as at the reporting date.

## NOTE 29: EVENTS AFTER THE REPORTING DATE

There have been no significant events subsequent to the reporting date.

## NOTE 30: ECONOMIC DEPENDENCE

The Group is dependent on the banking financial support of the NAB Agribusiness.

## NOTE 31 : RELATED PARTY TRANSACTIONS

There were no transactions with related parties at more favourable terms or conditions than those available to other parties.

## NOTE 32 : GLOBAL SIRES PROPRIETARY LIMITED

Global Sires Pty Ltd had a deficiency in net assets of \$280,455 as at 30th June 2011. The Company incurred a net loss for the year ended 30th June 2011 of \$145,240. This loss is the result of low gross profit margins achieved on such sales and higher than expected running costs.

World Wide Sires Ltd and Genetics Australia Cooperative Limited have committed to continue providing financial support to Global Sires Pty Ltd and fund any losses incurred. The directors have agreed to take the following steps to address the poor financial position of Global Sires Pty Ltd:

- (i) Make changes to improve the profitability of the Company
- (ii) Extend the terms of payment of debt to World Wide Sires from 90 days to 210 days to enable the company to generate funds to repay the debt.
- (iii) Extend the total current debt amount to World Wide Sires as at 30th September 2011 by 90 days with the first payment to occur in December 2011.
- (iv) World Wide Sires has agreed to limit any new semen shipments to Global Sires to confirmed orders only.
- (v) World Wide Sires has agreed to allow Global Sires to offer 60 days or more payment terms to help get additional orders.

We, RK Gordon and SF Bennett, being two Directors of Genetics Australia Cooperative Limited, state on behalf of and in accordance with a resolution of the Directors, declare that, in the opinion of Directors:

1. The accompanying financial statements and notes for the financial year ended 30 June 2011 are prepared in accordance with the requirements of the *Co-operatives Act 1996*, and:
  - a. give a true and fair view of the financial position as at 30 June 2011 and of the performance of the Consolidated Group for the year ended on that date; and
  - b. comply with Accounting Standards
2. In the directors' opinion there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

3. The Cooperative has kept such accounting records that correctly record and explain the transactions and financial position of the Consolidated Group.

Declared at and dated at Bacchus Marsh this 24th day of October 2011.



R K Gordon  
Director



SF Bennett  
Director

To the Members of Genetics Australia Cooperative Limited

We have audited the accompanying financial report of Genetics Australia Cooperative Limited and controlled entities (the consolidated group), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration.

#### Directors' responsibility for the financial report

The directors of the consolidated group are responsible for the preparation of the financial report that gives a true and fair view in accordance with the Australian Accounting Standards (including Australian Accounting Interpretations) and the *Co-operatives Act 1996* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

#### Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the *Co-operatives Act 1996*. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates, to any person other than the members, or for any purpose other than for which it was prepared.

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

#### Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Genetics Australia Cooperative Limited and controlled entities would be in the same terms if provided to the directors as at the date of this auditor's report.

#### Audit opinion

In our opinion the financial report of Genetics Australia Cooperative Limited and controlled entities is in accordance with Section 238 of the *Co-operatives Act 1996*, including:

- a. giving a true and fair view of the consolidated group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- b. complying with Australian Accounting Standards (including Australian Accounting Interpretations) .

The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

#### Material Uncertainty Regarding Continuation of Global Sires Pty Ltd as a Going Concern

Without qualifying our opinion, whilst the financial statements of Global Sires Pty Ltd ('the company') are not material to the financial statements of the consolidated group, we draw attention to Note 32 of the financial statements which indicates that Global Sires Pty Ltd incurred a net loss of \$145,240 during the year ended 30 June 2011 and, as of that date, the company's current liabilities exceeded its total assets by \$280,455. These conditions, along with other matters as set forth in Note 32, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.



Bell Partners  
Chartered Accountants



#### Ryan H Dummett (Partner)

Registered Company Auditor 217647  
Level 7, 468 St. Kilda Road, Melbourne, VIC 3004

Dated this 26th day of October 2011

Liability limited by a scheme approved under Professional Standards Legislation.

## Independent Auditor's Report

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