

Genetics Australia Co-operative Limited
2016-2017 ANNUAL REPORT



Bradley Cullen

DIRECTORS



Trevor Henry

(Chairman)
Maffra, Vic.

Trevor was appointed to the Board in May 2010 to fill a casual vacancy. Formerly a director of the Macalister Demonstration Farm Board for 10 years, serving the last 4 as Chairman. Trevor was previously Deputy Chairman from 2013 to 2015 and then became Chairman in November 2015.



Stuart Horsburgh

B. Comm, CA
Mt. Waverley, Vic.

Appointed to the Board July 2014, he has Commerce Degree and is a member of the Institute of Chartered Accountants in Australia and New Zealand. Stuart has 30 years experience in commerce and business. Stuart is also Chairman of the Audit & Risk Management Committee.



Craig Drake

(Deputy Chairman)
Dip. Ag. Sci., Dip. Farm Man., FAICD
Allansford, Vic.

Craig was elected to the board in December 2011. He has been a director of Tas Herd since 2000. He is a former board member of Warrnambool Cheese & Butter and former chairman of Western Herd Improvement. Craig became Deputy Chairman in November 2015 and is also a member of the Audit and Risk Management Committee.



Rohan Sprunt

Bbus.
Kaarimba, Vic.

Rohan was elected to the board November 2015. Rohan has a Bachelor of Business and is a qualified Accountant. Rohan has spent well in excess of ten years on the board of Jersey Australia and formerly Australian Jersey Breeders Society (Vic. Branch) in two separate sittings. More recently Rohan has chaired the genetics sub-committee where he assisted in the implementation of genomic testing for the Jersey breed in Australia. Rohan is also Deputy Chair of the Audit & Risk Management Committee.



Daniel Cochrane

Dip. Ag.
Longreach, NSW

Dan was elected to the board November 2015. Dan has a Diploma of Agriculture (Dairy Management), is a Licensed Stock, Station & Real Estate Agent, NSW and an Accredited Auctioneer in Stock, Station & Real Estate, NSW. Dan is currently an executive member of the South Coast & Highlands Dairy Industry Group, and a member of the local sub branches of the Holstein and Illawarra breed societies. Dan is also Chairman of the Animal Care & Welfare Committee.



John Pekin

Adv. Dip. Ag.
Kolora, Vic.

John was elected to the Board in November 2016. John has an Advanced Diploma of Agriculture. He is a strong advocate of Genetics Australia products and has progeny tested for over 20 years. He worked for Western Herd Improvement as an AI technician for 10 years in local dairy herds and conducted/managed synchronised AI programs in beef herds in Victoria and interstate. John has held leadership positions in various local organisations within the community including chairman of the Noorat Herd Test Association.



Anthony Doyle

Bbus.
Wallacedale, Vic.

Anthony (Tony) was elected to the board November 2013, he has a Bachelor of Business, FTIA: Fellow, Taxation Institute of Australia, FATMA: Fellow, Association Taxation and Management Accountants. Tony has over 25 years experience in dairyfarming and accounting and is also a member of the Audit & Risk Management Committee.

CHAIRMAN'S REPORT

On behalf of the Board of Genetics Australia, I am pleased to present this report to you for the 2016-2017 year. I am sure we all appreciate that the last 12 months has been one of the most difficult for the Australian Dairy industry, primarily driven by low milk prices.

Genetics Australia responded to the industry downturn and the erosion of farmer confidence by launching our 100% Committed Shareholder offer. We agreed to support shareholders even if it put the Cooperative into a temporary loss. Like many of our shareholders the low prices and lack of confidence has a direct bearing on the Cooperative and we had to respond in the best way possible. Backed by a strong balance sheet, the decision not to drastically cut expenses and maintain our programs and services to our shareholders was deployed and supported by the board and management.

This result includes additional rebates of \$121,095 paid to our shareholders. This support enabled our members to make improved genetic choices that will positively impact their businesses in the years to come.

While the industry will take time to fully recover, your co-operative is well placed to rebound and continue to offer the best and most affordable genetics available.

The ABV system, now under the guidance of DataGene continues to gain traction with more and more participation from semen suppliers and greater farmer acceptance of the science and the accompanying on-farm results. The cornerstone of the ABV system, the BPI (Balanced Performance Index) is the key breeding goal at Genetics Australia. The BPI index forms the foundation of our bull selection processes but it is not the only focus with traits such as fertility, health and type still playing a significant role in product development. Our aim is to produce genetics geared for Australian farming conditions, the ongoing impressive performance of our bulls in the Good Bulls Guide supports us achieving our aim.

Our progeny test members remain critical to our product development process. The collection of data on progeny of a wide range of bulls is still vital to ensure we develop products that meet the future needs of our customers. Data still remains king, even in the fast-paced world of genomics. Data is required to constantly update and refine the genomic technology and I would like to acknowledge our progeny test members for their ongoing support of Genetics Australia and the industry. We remain committed to ensuring shareholders continue to get priority access to the highest genomic young bulls into the future and to provide greater benefits to those that support progeny testing.

A strong product offering is essential for success and our bull breeders are major contributors to our product development. Our offering across the three dairy breeds has rarely been stronger both at a proven and genomic level. With over 500 bulls genomically screened annually, our bull breeders are a vital part of Genetics Australia's success. These bulls represent a range of cow families and sire lines with only the cream rising to the top. Genomic testing at times can be a drawn-out process and we appreciate breeders for their continued support and patience.

This year has seen the introduction of an IVF based Accelerated Breeding Program. With the assistance of the Victorian State Government, we were able to secure funding for the establishment of an IVF collection facility at our Parwan Park South Bacchus Marsh property. We appreciate the support of the Government and in particular the Hon. Jaala Pulford and Mr Richard Bales of Regional Development Victoria for their support in

this process.

In this financial year, Genetics Australia developed an additional collection facility at the Parwan Park South property to cater for increasing demand from beef breeders to collect semen from privately owned bulls. I take this opportunity to commend our farm staff for their dedication and diligence to completing this project within the funding available. The development adds another dimension of services available from Genetics Australia.

Your Board identified growth in the beef industry as a strategic focus into the future. Our beef business has continued to grow year on year. Whilst the Dairy Industry has had some challenges over the past 18 months, the beef sector has enjoyed much better levels of profitability. Genetics Australia continues to offer the best beef portfolio to our customers and we are dedicated to improving the penetration of elite AI genetics into the beef sector and growing the number of shareholders joining the Co-operative.

Exports of our best genetics has also been a strategic focus for the Board. We have established strong demand in countries such as South Africa but also recent growth in Latin America and closer to home in New Zealand. Genetics Australia has also been a strong supporter of Austrade delegations to countries such as China, and our involvement is beginning to pay dividends as more countries see the genetic investment Genetics Australia has made for many decades, and Australian bulls can hold their own with the best from anywhere in the world.

Our industry partners are vital to the success of Genetics Australia. Our relationships with several key industry groups including Dairy Australia, DataGene, Jersey Australia, Australian Red Dairy Breeds, Holstein Australia and NHIA, enable us to ensure the needs of the Co-operative and the shareholders are met. Our industry partners not only provide us with services and support, but also share with us the highs and lows of the dairy industry and we thank them for their support.

I would like to take the opportunity to welcome to the Board, Mr John Pekin. John is a dairyfarmer from Noorat in Western Victoria and has had a long history with the artificial breeding industry and herd improvement. John brings a practical and informed skill set to the Board and has been a valuable contributor to Board discussion. He takes over the Board position vacated by former Chairman Ross Gordon. Ross has made a fantastic contribution to our Co-operative and the herd improvement industry for many years and we thank him for his service and we wish Ross, Janette and family continued success and good health in the future.

I would like to commend Anthony Shelly our General Manager on his first full year in the role. After taking over at a difficult time, Anthony has lead the Co-operative with passion and diligence, consolidating the business in a tough season. His personable nature and leadership skills have shone through this year. I would also like to thank our Management team for their efforts in the past year. They have kept the business on an even keel despite the seasonal conditions and are always keen to implement better ways of running the business. We have a great team of committed, professional staff who drive the business from the farm right through to finance and administration. I would like to thank them, one and all for their efforts throughout the year.

CHAIRMAN'S REPORT - CONTINUED

I would also like to extend my sincere appreciation to my fellow directors for their support and friendship over the past year. We have a dedicated Board with a diverse skill set and a single vision to make Genetics Australia the best it can be. I thank them all for their time and efforts on behalf of all shareholders.

Finally, thank you to my family for their support and all our suppliers, and reseller customers, shareholders and farmers. Genetics Australia is not just the shareholder's Co-operative, but it is an industry asset and your continued support allows us to be a stable force in a volatile and unpredictable industry. Next year the Co-operative will celebrate it's 60th year and we look forward to welcoming all shareholders at events planned to celebrate this milestone in the history of the Co-operative.



TREVOR HENRY
CHAIRMAN

GENERAL MANAGER'S REVIEW

FINANCIAL OVERVIEW

Genetics Australia returned a loss after Tax for 2016/17 of \$208,662 on Revenues of \$8,172,348. This was achieved inclusive of shareholder rebates of \$121,095.

The net asset base of the co-operative remains strong and healthy at \$10,893,055, with a positive cash position of \$309,890.

KEY BUSINESS ACTIVITIES

In one of the most severe industry downturns, due mainly to low milk prices, the year has not been easy but we have managed to hold our position through carefully managing our budgets and being prudent with our expenditure. Genetics Australia continues to offer a broad range of product, as we continue to build on our position as the leading source of World Class Australian-bred and proven genetics. Our "World Class" advertising campaign is resonating within the industry and complements our product advertising program. We continue to build strong relationships with our key distributors to ensure our product is at the forefront of their offering. At the same time, we have consolidated our field sales representation to ensure we can present our products to more farmer and reseller customers. Our sales staff are to be complimented for the professional way they have conducted themselves and their dedication and efforts during a challenging time in our industry.

We recognize that the world is changing and that communication is becoming more and more digitalized. Our revamped website is easier to navigate and it is updated on the day of each ABV release. We will continue to keep our Facebook communication crisp, concise and topical with offers that provide real value and we will continue to communicate through Shareholder and general newsletters as we have done in the past.

12 months after the finalization of the share call, we are pleased to announce that our shareholding continues to grow. As a response to the reduced milk prices, we announced additional shareholder benefits in the form of increased product rebates. Your Co-operative is committed to providing cost effective solutions to your breeding needs and urge you to take advantage of these rebates as a way of continuing to achieve your herd improvement goals.

"World Class" is more than a catchphrase, it is what drives our breeding program. Our locally developed sires are competing with the best product from around the world and it is a credit to our breeders that our

product competes so strongly. Our focus remains producing the highest BPI, TWI and HWI bulls with the right mix of production, health, survival and type characteristics. The performance of our bulls in the April 2017 ABV run clearly demonstrates the effectiveness of our breeding strategy. Our relationship with some of Australia's highest genetic merit herds remains a key focus of our breeding team and we continue to work with the best breeders in each of the three key dairy breeds to develop elite Australian genetics.

Holstein sire MAEBULL is the bull that captured attention after the April 2017 ABV release. MAEBULL shot to the top end of the daughter proven rankings with a great combination of production and health traits leading to a solid BPI rating. He joins a strong product offering which includes brand name sires such as GEEMCEE, WRANGLER, ROYALMAN, CHRISTMAS and the veteran MEDALLION, who is now regarded as one of the greatest ever sires to stand in Australia.

Our Australian Holstein genomic sires continue to perform well against an influx of overseas genetics. ROWLING leads our genomic team and has been a very popular choice for many farmers.

Our Jersey line-up was bolstered after the April ABV run with the addition of TAHBILK who debuted with a solid production proof backed by excellent type ratings. He joins a strong proven lineup which includes AUSSIEGOLD, Australia's leading polled Jersey sire and RACEWAY, a former number one ranked Jersey sire. These outstanding proven sires are joined by a solid group of genomic sires exhibiting a range of production, type and health traits.

The demand for Australian Jerseys on the export market is at an all-time high and it is most important we must continue developing an elite team of bulls to cater for this growing interest.

It was a wonderful year for the Australian Red breed with the emergence of ARBSCAREBEAR, a breed leading sire with an outstanding balanced proof. This past year was the first year we had access to Australian Red genomics. Whilst this data is not official at this point in time, it did allow us to identify elite young bulls ARBMUFASA, ARBTOPDOG and ARBSURETHING.

It is with a great deal of satisfaction our farm and production team have continued to maintain our bull herd to a very high standard of health and for producing a product with fertility second to none. Genetics Australia runs a unique farming operation and it is a credit to the team for the way they manage our key livestock and land assets.

Our international product offering has never been stronger and features some of the best genetics that can be sourced from anywhere in the world. We value our relationship with key suppliers WWS, Jetstream, Super Brown, Intermizoo and thank them for their support over the past year. We recognize that farmers want choice and we continue to provide quality product offerings from overseas.

The steady growth in beef sales is pleasing and is driven in part by an increase in the number of Australian beef sires we offer but also in the quality products sourced from our key suppliers in the USA. We continue to identify opportunities to expand our beef offering to meet the needs of beef producers around Australia. Beef remains an important part of the co-operative's overall strategy.

Interest in Australian genetics around the world continues to grow. South Africa, Latin America, New Zealand and other countries that operate similar production systems to Australia are our key targets. However, they are not our only focus with strong interest from China, Europe and North America in what the Australian genetics offer. While the international genetics market is full of challenges and extremely competitive, exports will help offset the all too frequent domestic down turns and deliver additional income that will allow continued investment into our local breeding programs.

Our strong merchandise portfolio includes some of the best products in their categories including, the heat detection products Estroprotect heat patches and FIL tail paint. Merchandise sales continue to grow and are an important contributor to the cooperative's bottom line. We will continue to search for effective and high regarded products that will complement our overall product offering and add value to our Co-operative members.

We operate in a volatile industry and in challenging times. The volatility of the world milk market, fluctuations in weather and climate and ever-increasing input costs, all create a level of uncertainty that we need to deal with on a year to year basis. Amidst this, one thing remains constant and that is the commitment of all at Genetics Australia to provide World Class genetics and breeding products to our shareholders and customers.

The herd improvement industry is very much a people based and relationship business. I would like to sincerely thank all who have supported me during the past year. In particular, the entire team of dedicated staff at Genetics Australia who, like our products are second to none in the industry. My Board of Directors continue to support and guide us and I cannot thank them enough for the trust they have placed in us all. Finally, and most importantly, I thank you, our shareholders and customers for your support and patronage and together with the entire Genetics Australia team, we extend our best wishes for the coming year ahead and look forward to delivering on our mission as we enter our 60th year.



A handwritten signature in black ink that reads "Anthony Shelly".

ANTHONY SHELLY
GENERAL MANAGER



TAHBILK



MAEBULL

DIRECTORS' REPORT

Your Directors present their report, together with the audited financial report of the Co-operative for the financial year ended 30th June, 2017.

DIRECTORS

The names of the directors in office at any time during, or since the end of, the year are:

Trevor Henry (Chairman)
Craig Drake (Deputy Chairman)
Daniel Cochrane
Anthony Doyle
Ross Gordon (retired 21st November 2016)
Stuart Horsburgh
John Pekin (elected 21st November 2016)
Rohan Sprunt

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the Co-operative during the financial year were the proving and sale of genetically superior bull semen for Australian conditions and the sale of other related items to Australian Dairy, Meat and Livestock Farmers.

No significant changes in the nature of the Co-operative's activities occurred during the financial year.

OPERATING RESULTS

The net loss of the Co-operative after providing for income tax amounted to \$208,662 (2016 net loss of \$225,689)

Other comprehensive income net of tax is nil (2016 \$1,102,527 which related to revaluation increases in property, plant and equipment)

A review of the operations of the Co-operative is set out in the Chairman's Review.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There has been no significant changes in the state of affairs of the Co-operative during the year.

EVENTS AFTER THE REPORTING DATE

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

ENVIRONMENTAL ISSUES

The Co-operative's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth of a state or territory of Australia.

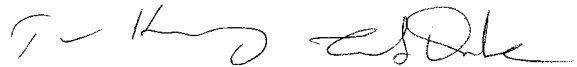
INDEMNIFICATION AND INSURANCE OF OFFICERS

Rule 71 of the constitution of the Co-operative indemnifies officers in accordance with section 198 of the Co-operative National Law Application Act 2013. Further, during the year, the Co-operative paid an insurance policy for the benefit of directors and officers of the Co-operative. 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 INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the financial year ended 30 June 2017 has been received and can be found on page 5 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors:



TREVOR HENRY
CHAIRMAN

CRAIG DRAKE
DEPUTY CHAIRMAN

Bacchus Marsh 25th day of September, 2017

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:

BOARD MEETINGS

Director	Eligible to Attend	Attended
T Henry	11	11
C Drake	11	9
D Cochrane	11	10
A Doyle	11	9
R Gordon	5	4
S Horsburgh	11	10
J Pekin	6	6
R Sprunt	11	10

AUDIT & RISK MANAGEMENT MEETINGS

Director	Eligible to Attend	Attended
C Drake	12	10
A Doyle	12	10
S Horsburgh	12	11
R Sprunt	12	11

The Board also has an Animal Welfare Committee that meets at least twice a year.

AUDITOR'S DECLARATION



AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF GENETICS AUSTRALIA CO-OPERATIVE LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017, there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia
Chartered Accountants

M J Schofield (Partner)

Registered Company Auditor 293528
Dated this 25th day of September 2017
Level 10, 530 Collins Street, Melbourne, VIC, 3000

Liability limited by a scheme approved under Professional Standards Legislation.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Sales Revenue	4	8,172,348	8,904,835
Cost of Sales		(3,179,001)	(3,730,441)
Gross Profit		4,993,347	5,174,394
Other income	4	45,721	134,152
Employee benefits expense		(2,573,221)	(2,692,977)
Depreciation and amortisation expense	5(a)	(423,831)	(435,027)
Finance costs	5(a)	(114,367)	(108,506)
Shareholders benefits		(121,095)	(87,410)
Other expense		(2,101,801)	(2,251,226)
Loss before Income Tax	5	(295,247)	(266,600)
Income tax benefit/ (expense)	6	86,585	40,911
Net Loss for the year		(208,662)	(225,689)
Other Comprehensive Income (net of income tax)			
Item that will not be reclassified to profit or loss			
Revaluation changes for property, plant and equipment (net of tax)		-	1,102,527
Other Comprehensive Income for the year, net of tax		-	1,102,527
Total Comprehensive Income for the year		(208,662)	876,838

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	9	309,890	452,029
Receivables	10	1,536,372	1,540,438
Inventories	11	1,324,155	1,542,520
Other assets	12	98,761	67,347
Total Current Assets		3,269,178	3,602,334
Non-Current Assets			
Financial assets	13	20	20
Property	14	11,250,637	11,200,000
Plant & equipment, and motor vehicles	14	539,139	588,126
Livestock	14	654,778	757,341
Intangibles	15	18,843	15,843
Total Non-Current Assets		12,463,417	12,561,330
Total Assets		15,732,595	16,163,664
Current Liabilities			
Trade and other payables	16	1,340,870	1,689,420
Financial liabilities	17	-	15,505
Other financial liabilities	18	2,205	8,802
Provisions	20	452,002	468,276
Total Current Liabilities		1,795,077	2,182,003
Non-Current Liabilities			
Financial liabilities	17	2,150,000	1,900,000
Other financial liabilities	18	76,838	79,394
Deferred tax liabilities	19	685,587	772,172
Provisions	20	6,298	4,668
Total Non-Current Liabilities before member's share capital		2,918,723	2,756,234
Member's interest	24	125,740	123,710
Total Non-Current Liabilities		3,044,463	2,879,944
Total Liabilities		4,839,540	5,061,947
Net Assets		10,893,055	11,101,717
Equity			
Reserves		6,200,274	6,200,274
Retained earnings		4,692,781	4,901,443
Total Equity		10,893,055	11,101,717

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	Retained Earnings \$	General Reserve \$	Asset Revaluation Reserve \$	Total \$
Balance at 1 July 2015	5,163,032	1,307,561	3,904,286	10,374,879
Transfer to retained earnings upon disposal of freehold property	114,100		(114,100)	-
Increase during the year arising from independent revaluation of freehold properties (net of tax)	-	-	1,102,527	1,102,527
Transfer to provision for doubtful debts in accordance with AASB 9	(150,000)	-	-	(150,000)
Loss for the year	(225,689)	-	-	(225,689)
Balance at 30 June 2016	4,901,443	1,307,561	4,892,713	11,101,717
Loss for the year	(208,662)	-	-	(208,662)
Balance at 30 June 2017	4,692,781	1,307,561	4,892,713	10,893,055

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2017

	Note	2017 \$	2016 \$
Cash Flow from Operating Activities			
Receipts from customers and other income		8,222,135	9,658,036
Payments to suppliers and employees		(8,181,587)	(9,088,839)
Finance costs paid		(114,367)	(108,506)
Net cash provided by/(used in) operating activities		(73,819)	460,691
Cash Flow from Investing Activities			
Proceeds from sale of assets held for sale		-	290,472
Proceeds from sale of property, plant, equipment, motor vehicles and livestock		206,776	141,532
Payments for property, plant, equipment, motor vehicles and livestock		(499,538)	(443,708)
Payments for intangibles		(3,000)	-
Net cash flows used in investing activities		(295,762)	(11,704)
Cash Flow from Financing Activities			
Proceeds from share issues		4,240	6,445
Payment for share cancellation/redemption		(2,140)	(2,266)
Payment in respect of debenture holders		(9,153)	(15,045)
Net receipt/(repayment) of borrowings		250,000	(100,000)
Payment of finance lease liabilities		(15,505)	(93,205)
Net cash provided by/(used in) financing activities		227,442	(204,071)
Net increase/(decrease) in cash held		(142,139)	244,916
Cash at beginning of financial year		452,029	207,113
Cash and cash equivalents at the end of the financial year	9	309,890	452,029

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

About this Report

The financial report covers Genetics Australia Co-operative Limited (the Co-operative) as an individual entity. The functional and presentation currency of the Co-operative is Australian dollars. The financial report was authorised for issue by the Directors on 25th September, 2017. Comparatives are consistent with prior years, unless otherwise stated.

1. Basis of Preparation

Genetics Australia Cooperative Limited applies Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board, the Corporations Act 2001 and the Co-operative National Law Application Act 2013.

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. Material accounting policies adopted in the preparation of the financial statements are presented throughout the notes and have been consistently applied unless otherwise stated.

The financial statements, except for the cashflow information, 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. The amount presented in the financial statements have been rounded to the nearest dollar.

2. Critical accounting estimates and judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

Key estimates

(i) *Employee Entitlements*

The Co-operative assesses the probability that staff 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

(i) *Impairment*

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

(ii) *Provision for inventories*

The inventory held is reviewed on a regular basis to determine whether there is any old, damaged or obsolete stock or other stock items which need to be written down to NRV.

At the year end management have estimated that a provision of \$40,000 (2016 \$61,028) is required to cover any obsolescence of inventory.

3. Adoption of new and revised accounting standards

The Co-operative has adopted all standards which became effective for the first time at 30 June 2017, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Co-operative.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 4 : Revenue

	2017 \$	2016 \$
Sales Revenue		
sale of goods	7,824,274	8,625,970
genetic and other services	348,074	278,865
Total sales revenue	8,172,348	8,904,835
Other income		
export grant	15,494	28,134
gain on disposal of plant and equipment and livestock	30,157	61,932
gain on forfeiture of shares	70	44,086
Total other income	45,721	134,152

Accounting treatment

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Co-operative and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

Sale of goods

Revenue from the sale of goods, including semen, insemination equipment and other merchandise products, are 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.

Genetic and other services

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the 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.

Other income

Other income is recognised on an accrual basis when the Co-operative is entitled to it.

Note 5 : Loss before Income Tax

Loss before income tax from continuing operations includes the following specific expenses:

a. Expenses

	2017 \$	2016 \$
Stock Writedown	43,407	200,000
Finance costs - External	114,367	108,506
Depreciation of asset held for sale	-	3,582
Depreciation of non-current assets	423,831	431,445

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Accounting treatment

Finance Cost

Finance cost includes all interest-related expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

Shareholder benefits

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

Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency is measured using the currency of the primary economic environment in which the Co-operative operates. The financial statements are presented in Australian dollars which is the Co-operative's functional and presentation currency.

Transaction 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 period-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 profit or loss, except where deferred in equity 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 underlying gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 6 : Income Tax Expense (Benefit)

Note	2017 \$	2016 \$
(a) The components of tax expense (benefit) comprise:		
Current tax	-	(50,274)
Deferred tax	(86,585)	9,363
	(86,585)	(40,911)
(b) The prima facia tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facia tax expense (benefit) on profit/(loss) from ordinary activities before income tax @ 30%	(88,574)	(79,980)
Add		
Tax effect of:		
-Non-deductible expenses	1,989	4,940
-Disposal of assets	-	130
-Capital Gain on disposal of assets	-	50,598
-Underprovision of tax losses in prior years	-	33,675
	1,989	89,343
Less		
Tax effect of:		
-Research & Development Tax Offset underprovided in prior years	-	50,274
	-	50,274
Income tax expense/(benefit) attributable to entity	(86,585)	(40,911)

Accounting treatment

Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are 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 charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Note 7 : Auditors Remuneration

Remuneration of auditor
-audit for the year ended 30 June
-other services

21,000	20,000
2,000	5,000
23,000	25,000

Note 8 : Key Management Personnel Remuneration

Total of Remuneration paid to key management personnel of the Co-operative during the year is as follows:

- Directors
- Executives

149,031	166,027
706,660	839,576
855,691	1,005,603

The names of directors of the Co-operative who have held office during the financial year are set out in the Report of Directors.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 9 : Cash and Cash Equivalents

Cash at bank and on hand

Note	2017 \$	2016 \$
	309,890	452,029
	309,890	452,029
	309,890	452,029

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

Cash and cash equivalents

Genetics Australia Co-Operative has a fully undrawn bank overdraft facility of \$100,000 at 30 June 2017.

Accounting treatment

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 short-term borrowings in current liabilities on the Statement of Financial Position.

Note 10: Trade and Other Receivables

Trade receivables

Loans to directors

Provision for impairment of receivables

	1,725,601	1,729,471
	-	6,946
	(189,229)	(198,252)
	1,536,372	1,538,165
	-	2,273
	1,536,372	1,540,438

Other receivables

Loans to directors are debts incurred by them or their related entities in the normal course of business as follows:

- The aggregate amount of credit provided during the financial year to directors, classified by nature of the terms and conditions that are interest free with 30 day trading terms, is \$12,269 (2016 \$9,691).
- The aggregate of repayments received during the financial year from directors, classified by nature of the terms and conditions that are interest free with 30 day trading terms, is \$19,215 (2016 \$2,745).

Movement in provision for impairment of receivables

Opening balance

Movement in year

Closing balance under AASB 139

Adjustment made on account of AASB 9

Closing balance

	(198,252)	(47,387)
	9,023	(865)
	(189,229)	(48,252)
	-	(150,000)
	(189,229)	(198,252)

Accounting treatment

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognized as fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment (refer to Note 23 for further discussion on the determination of impairment losses).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 11: Inventories

	Note	2017 \$	2016 \$
Semen at net realisable value		953,726	913,536
Merchandise at net realisable value		410,429	690,012
		<u>1,364,155</u>	<u>1,603,548</u>
Provision for Stock Write Offs		(40,000)	(61,028)
		<u>1,324,155</u>	<u>1,542,520</u>

Accounting treatment

Inventories are measured at the lower of cost and 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.

Note 12 : Other Assets

Prepayments	98,761	67,347
	<u>98,761</u>	<u>67,347</u>

Note 13 : Financial Assets

Available for sale financial assets		
Shares in other entities-at cost	20	20

Note 14 : Property, Plant & Equipment, Motor Vehicles and Livestock

Land and Buildings - at fair value	11,325,247	11,200,000
less accumulated depreciation	(74,610)	-
Total Land and Buildings	<u>11,250,637</u>	<u>11,200,000</u>
Plant, Equipment & Motor Vehicles - at cost	4,635,848	4,573,963
less accumulated depreciation	(4,096,709)	(3,985,837)
Total Plant, Equipment & Motor Vehicles	<u>539,139</u>	<u>588,126</u>
Total Property, Plant & Equipment	<u>11,789,776</u>	<u>11,788,126</u>
Livestock- at cost	1,123,949	1,230,658
less accumulated depreciation	(469,171)	(473,317)
Total livestock	<u>654,778</u>	<u>757,341</u>
Total	<u>12,444,554</u>	<u>12,545,467</u>

	Land and Buildings	Plant, Equipments & Motor Vehicle	Livestock	Total
Balance at 30th June 2016	11,200,000	588,126	757,341	12,545,467
Additions	125,247	105,699	268,591	499,537
Disposal - written-down value	-	(4,000)	(172,619)	(176,619)
Depreciation expense	(74,610)	(150,686)	(198,535)	(423,831)
Carrying amount at 30th June 2017	<u>11,250,637</u>	<u>539,139</u>	<u>654,778</u>	<u>12,444,554</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 14 : Property, Plant & Equipment, Motor Vehicles and Livestock (continued)

Accounting treatment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are carried at their fair value (being the amount for which an 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 accumulated 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 equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

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 and are therefore carried at cost less accumulated depreciation and any accumulated 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.

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 23 for details of impairment).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Co-operative and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in 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 buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Co-operative 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 rates
Buildings	2.5-20%
Plant and equipment	4-27%
Leased plant and equipment	4-27%
Livestock	10-20%

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 estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 to the Co-operative, are classified as finance leases.

Finance leases are capitalised by recognising 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.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

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

	Note	2017 \$	2016 \$
Note 15 : Intangibles			
Trademarks		18,843	15,843
		<u>18,843</u>	<u>15,843</u>
Movements in intangibles			
		Trademarks	Total
Balance at 30th June 2016		15,843	15,843
Additions		3,000	3,000
Carrying amount at 30th June 2017		<u>18,843</u>	<u>18,843</u>

Accounting treatment

Intangible Other than Goodwill

Intangibles like trademarks are capitalised, and subject to the impairment of assets testing.

	Note	2017 \$	2016 \$
Note 16 : Trade and Other Payables			
Current			
Trade payables		971,686	1,308,370
Sundry payables and accrued expenses		369,184	381,050
		<u>1,340,870</u>	<u>1,689,420</u>

Accounting treatment

Trade and other payables represent the liability for goods and services received by the Co-operative that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 60 days of recognition of the liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 Australian Tax Office. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Note 17 : Financial Liabilities

Note	2017 \$	2016 \$
Current		
Finance Loan - Hire Purchase/Chattel Mortgage	-	15,505
	-	15,505
Non-current		
Bank loan secured	2,150,000	1,900,000
	2,150,000	1,900,000
(a) Total current and non-current secured liabilities:		
Bank loan	2,150,000	1,900,000
Hire Purchase/Chattel Mortgage	-	15,505
	2,150,000	1,915,505
(b) The carrying amounts of non-current assets pledged as security are:		
First mortgage		
- Freehold land and buildings	8,309,522	3,000,000
- Hire Purchase/Chattel Mortgage		
- Motor Vehicles	-	19,013
	8,309,522	3,019,013

The bank loan expires in the 2019 financial year. Genetics Australia Co-operative Limited has met their bank covenants during the reporting period and up to date of signing of the financial statements. Genetics Australia Co-operative Limited is not required to repay any of the bank loan within 12 months of the reporting date.

Accounting treatment

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Note 18 : Other Financial Liabilities

Current		
Debentures repayable within 12 months	2,205	8,802
Non-current		
Debentures repayable after 12 months	76,838	79,394
	79,043	88,196

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 19 : Tax

a) Assets (Liabilities)

Deferred tax assets (liabilities) comprise:

Tax allowances relating to

Property, plant and equipment, motor vehicles and livestock

Provisions 137,490

Income tax losses

Other 98,503

Note	2017 \$	2016 \$
	(2,488,633)	(2,488,633)
	141,883	
	1,567,053	1,513,768
	60,810	
	<u>(685,587)</u>	<u>(772,172)</u>

b) Reconciliations

Gross Movements

The overall movements in deferred tax account is as follows:

Opening balance

Credited (charged) to the income statement

Credited (charges) to asset revaluation reserve

Closing balance

	(772,172)	(339,200)
	86,585	(9,362)
	-	(423,610)
	<u>(685,587)</u>	<u>(772,172)</u>

Accounting treatment

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 is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale. When an investment property that is depreciable is held by the company in a business model whose objective is to consume substantially all of the economic benefits embodied in the property through use over time (rather than through sale), the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of such property will be recovered entirely through use.

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.

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) a legally enforceable right of set-off exists; and (b) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note 20 : Provisions

	Note	2017 \$	2016 \$
Current			
Annual Leave		148,797	151,549
Long Service Leave		303,205	316,727
		<u>452,002</u>	<u>468,276</u>
Non Current			
Long Service Leave		6,298	4,668
		<u>6,298</u>	<u>4,668</u>
Aggregate employee entitlements liability		<u>458,300</u>	<u>472,944</u>
Employee Benefits			
Opening balance at beginning of year		472,944	416,875
Amounts used		(183,612)	(164,630)
Additional provisions raised during the year		168,968	220,699
Balance at end of year		<u>458,300</u>	<u>472,944</u>

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.

Accounting treatment

Provision

Provisions are recognised when the Co-operative 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 the end of the reporting period.

Employee Benefits

Provision is made for the Co-operative'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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Notes 21 : Reserves

General Reserve

The general reserve records funds set aside for future expansion of the Co-operative.

Asset Revaluation Reserve

The asset revaluation reserve records revaluations of Property.

Note 22 : Capital and leasing commitments

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

Payable

- minimum lease payments
- not later than one year
- later than one year but not later than two years
- later than two years but not later than five years
- Less interest paid

(b) Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

Livestock

Note	2017 \$	2016 \$
	-	15,856
	-	-
	-	-
	-	(351)
	-	15,505
	20,240	-

Notes 23 : Financial Risk Management

a) Financial Risk Management Policies

The co-operative'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:

Financial Assets:

Cash and cash equivalents

Receivables

Financial Assets

Total Financial Assets

Financial Liabilities:

Financial liabilities at amortised cost:

- Trade and other payables

- Bank loans - secured

- Debentures

Total Financial Liabilities and Debentures

Note	2017 \$	2016 \$
9	309,890	452,029
10	1,536,372	1,540,438
13	20	20
	1,846,282	1,992,487
16	1,340,870	1,689,420
17	2,150,000	1,900,000
18	79,043	88,196
	3,569,913	3,677,616

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Accounting treatment

Financial Instruments

Initial recognition and measurement

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

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss 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 the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

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 amount with a consequential recognition of an income or expense in profit or loss.

(i) 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, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount being included in profit or loss.

(ii) 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) 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 or determinable payments.

They are subsequently measured at fair value with any remeasurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets when they are not expected to be sold within 12 months after the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

(iv) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Impairment

At the end of each reporting period, the Co-operative assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of available-for-sale financial assets, a significant or prolonged decline in the market value of the instrument is considered to constitute a loss event. Impairment losses are recognised in profit or loss immediately. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Co-operative recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

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 Co-operative 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 discharged, cancelled or have expired. The difference between the carrying amount 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 profit or loss.

Impairment of Assets

At the end of each reporting period, the Co-operative 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. 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 amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Co-operative 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Note	2017 \$	2016 \$
Notes 24 : Members Interest		
a) Movements in Share on Issue:		
Opening balance - 61,920 fully and partly paid shares	123,710	163,617
Shares issued during the year	4,170	6,445
Shares cancelled/redeemed/forfeited during the year	(2,140)	(46,352)
Closing balance - 62870 fully paid shares	125,740	123,710
Number of Members	1,195	1,177
Number of Shares forfeited under Part 2 of the Co-operative National Application Act 2013	100	62,927

Accounting treatment

Members share capital is treated as a liability. Classification in this manner occurs because the Co-operative must forfeit and ultimately repay share capital that is forfeited under the inactive membership rules contained in the Co-operative National Law Application Act 2013 and the Rules of the Co-operative.

Notes 25 : 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.

Notes 26 : Related Party Transactions

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

Notes 27 : New Accounting Standard AASB 9 Financial Instruments 2014

In the previous financial year the Co-operative elected to early adopt AASB 9 which is applied retrospectively from 1 July 2015. In accordance with the transition requirements, comparatives are not restated.

The adoption of AASB 9 resulted in the following changes to the Co-operative's accounting policies:

Changes to impairment of trade receivables

The AASB 9 impairment requirements are based on expected credit loss model, replacing the incurred loss methodology under AASB 139. Key changes to the Co-operative's accounting policy for impairment of trade receivables are listed below.

The Co-operative measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

The expected credit losses are measured in a way that reflects:

- (a) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- (b) the time value of money; and
- (c) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The maximum period to consider when measuring expected credit losses is the maximum contractual period over which the Co-operative is exposed to credit risk.

Overall, impairment under AASB 9 results in earlier recognition of credit losses than under AASB 139.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Notes 28 : New Accounting Standards for Application in Future Periods

Reference and Title	Details of New Standard /Amendment/Interpretation	Impact on Co-operative	Application date for the Co-operative
AASB 15	AASB 15 :Revenue from Contracts with Customers (applicable for accounting periods commencing on or after 1 January 2017). This standard introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer.	The directors do not anticipate that the adoption of AASB 15 will have a significant impact on the results of the Co-operative's operations	30-Jun-19
AASB 16	AASB 16 :Leases. This standard will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term or low value assets which may remain off balance sheet.	The directors do not anticipate that the adoption of AASB 16 will have a significant impact on the results of the Co-operative's operations	30-Jun-20

Notes 29: Events after the reporting date


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

DIRECTOR'S DECLARATION

The Directors of the Co-operative declare that:

1. The financial statements and notes set out on pages 6 to 22 are in accordance with the Co-operative National Law Application Act 2013 and the Corporations Act 2001 and:
 - (a) comply with Accounting Standards - Reduced Disclosure Requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date.
2. In the Directors opinion there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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



TREVOR HENRY
CHAIRMAN

CRAIG DRAKE
DEPUTY CHAIRMAN

Dated this 25th day of September 2017

AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2017



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GENETICS AUSTRALIA CO-OPERATIVE LIMITED

Opinion

We have audited the financial report of Genetics Australia Co-operative Limited (the Co-operative) which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Co-operative is in accordance with the Co-operative National Law Application Act 2013 and Corporations Act 2001, including:

- a) giving a true and fair view of the Co-operative's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Co-operative in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Co-operative, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Co-operative's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Co-operative to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Co-operative or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit 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 Co-operative's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Co-operative's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Co-operative to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

ShineWing Australia
Chartered Accountants

M J Schofield
Partner

Melbourne, 27 September 2017



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Craig Drake (Deputy Chairman) Dip. Ag. Sci., Dip. Farm Man., FAICD Allansford, Vic.
Daniel Cochrane Dip. Ag. Longreach, NSW
Anthony Doyle Bbus. Wallacedale, Vic.
Stuart Horsburgh B. Comm, CA Mt. Waverley, Vic.
Rohan Sprunt Bbus. Kaarimba, Vic.
John Pekin Adv.Dip.Ag. Kolora, Vic.