Genetics AUSTRALIA
Breeding better Australian herds

Genetics Australia Co-operative Limited

2017-2018 ANNUAL REPORT

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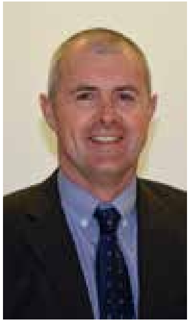
Breeding better Australian herds

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.

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.

Anthony Doyle

Bbus.

Wallacedale, Vic.

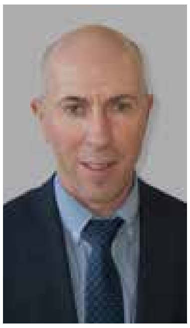
Anthony (Tony) was elected to the board November 2013, he has a Bachelor of Business, FTIA: Fellow, Taxation Institute of Australia, FATMA: Fellow, Association Taxation and Management Accountants. Tony has over 25 years experience in dairyfarming and accounting and is also a member of the Audit & Risk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

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.



John Pekin

Adv. Dip. Ag., BAgrBus.Mgt.

Kolora, Vic.

John was elected to the Board in November 2016. John has an Advanced Diploma of Agriculture and a Bachelor of Agricultural Business Management. 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 is chairman of the Animal Health & Welfare Committee.

CHAIRMAN'S REPORT

On behalf of the Board of Genetics Australia, I am pleased to present this report to you for the 2017-2018 year. Our industry continues to face difficult times with challenging climate and low milk prices. Despite the less than ideal conditions, Genetics Australia continues to provide Australian farmers with the best genetics at sensible prices. Our co-operative ethos and our values compel us to operate in this way.

This financial year has seen your co-operative and its subsidiaries make a consolidated loss of $374,576 after paying shareholder rebates of $26,669. This loss is partly attributable to seasonal factors surrounding the timing of the co-operative's purchase of a New Zealand business Genetic Enterprises on 1 April 2018. Despite this loss, your co-operative is still in good shape as our asset backing remains strong. We have embarked on a strategic direction which includes an investment in people and programs. This investment will not generate returns immediately and is an investment in the future.

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

It has been a good year for the ABV system under the stewardship of DataGene. The BPI which is our primary selection goal continues to gain acceptance with more and more farmers turning to it to assist their bull selection. The ImProving Herds Project results clearly validated the BPI as a tool that generates profit on farm. I would like to congratulate DataGene, Gardiner Foundation, DEDJTR and Dairy Australia for supporting such an important piece of work. 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 in that we are achieving our aim.

Progeny testing is still a critical part of our product development process. While there is a shift towards the use of more genomic product, daughter proven bulls with their increased reliability remain very popular. We also need to remind ourselves that in this era of genomics, we need to still gather data to validate the genomic results and update the genomic models. 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 who support progeny testing.

Our bull breeders are a vital part of Genetics Australia's success and our offering across dairy breeds has rarely been stronger both at a proven and genomic level. These bulls represent a range of cow families and sire lines and a diversity of strengths. We remain committed to developing the "Australian Cow" using the best genetics not just from Australia but from around the world. Genomic testing at times can be a drawn-out process and we appreciate breeders for their continued support and patience.

Our IVF based Accelerated Breeding Program is in full swing and we thank our co-operating breeders for their support. This program enables us to accelerate our rate of genetic gain for our breeding goal by developing some of the best females in Australia. The results so far have been encouraging and we look forward to producing some outstanding males and females from this program.

Shareholders will be aware of the sale of the Parwan Park South property. This property currently accommodates the EU isolation facility, the IVF centre, a second collection facility and our merchandise warehouse. This is a fantastic deal for your co-operative with the funds from the sale allowing us to develop strategic initiatives that previously may have been out of our reach. The sale agreement means we can utilise the property for five years before handover and final payment, giving us plenty of time to examine the options to accommodate the property's current functions.

Our beef business continues to grow year on year and beef is an important part of our ongoing strategy. Whilst the Dairy Industry has had some challenges over the past 24 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 have long been an important facet of our strategy and we are pleased with the ongoing performance of this part of our business. The purchase of the New Zealand business, Genetic Enterprises gives us a great launch pad into one of the world's largest dairy industries. We are encouraged by the early performance of this new addition to our business. We have established strong demand in countries such as South Africa but also recent growth in Latin America. China remains a key focus of our export drive and we are pleased with the appointment of Sino-Australia Genetics Technology Co. Ltd. as our distributor in China to take our products to this burgeoning market. We are confident Australian bulls can hold their own with the best from anywhere in the world and build on the strong performance of Australian heifers.

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. We also acknowledge the support of the semen distributors right across Australia who are vital to ensure our semen and merchandise is delivered to our shareholders and customers in time for their breeding programs. Our industry partners share with us the highs and lows of the industry we work in and we thank them for their support.

This year we celebrated our 60th Anniversary, an important milestone in our history. Our 60th year celebration activities allowed us to thank the many people who have contributed to our co-operative over the years. The celebrations also gave us the opportunity to reflect on our achievements over this period which have helped shape the industry into what it is today.

Also, this year we have lost one of the "true believers" in former Chairman, John Harlock. John served as a director of Genetics Australia for 15 years, from 1991 to 2006 and was Chairman of the Board from 1998 to 2006. John was a passionate advocate for Herd Improvement and was a farmer representative on many herd improvement industry bodies. John was a staunch believer in progeny testing and led by example with a large proportion of his herd sired by progeny test bulls. John was instrumental in shaping the business during his time on the Board and as Chairman. One of his great attributes was bringing people together, no matter what your role was within the business, John always had time

CHAIRMAN'S REPORT - CONTINUED

to acknowledge you and often had time for a quick chat. The legacy of John Harlock will live on in the Genetics Australia co-operative for many years and in those he provided mentorship, guidance and opportunity for over the years. One of the most important decisions the co-operative made was, the purchase of the property at Birregurra and John was one of the key advocates for that decision. John was present at the recent 60-year celebrations of the co-operative and took the opportunity to catch up with many current and past staff.

Our sincerest condolences to his wife Shirley and the Harlock family.

I would like to thank Anthony Shelly our Chief Executive Officer for his stewardship of the business. Anthony has a strong focus on taking the business to the next level and we recognise his passion and diligence. His leadership and relationship building skills are a vital ingredient in achieving many of our strategic goals. I would also like to thank our Management team for their efforts in the past year. 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.

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 deliver on our promise of providing the best genetics for Australian farming conditions at realistic prices.

TREVOR HENRY
CHAIRMAN

CHIEF EXECUTIVE OFFICER'S REVIEW

KEY BUSINESS ACTIVITIES

Market conditions over the past 12 months were a slight improvement on the previous year but remain somewhat flat with lower than average rainfall and depressed milk prices. We continue to be diligent and prudent in the way we manage our expenses as we understand that expenses are one of the few things we can control. 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. At the same time, we have added quality overseas product that complements our local offering, giving us the strongest product portfolio on the market. We continue to build solid 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 are pleased with our new website as we understand that digital technology is becoming a more and more important source of information. Our statistics indicate that the use of our website has increased in the past 12 months. At the same time, we have ramped up our social media presence by providing crisp, concise and topical communication with offers that provide real value. Our Flashback posts over the past 6 months have been a great reminder to our shareholders of the achievements of our co-operative over its 60-year history.

Our 60-year celebrations this year have been a highlight. They provided an opportunity to celebrate the successes of the co-operative over its history and remind us all why we exist. It was great to celebrate with long term shareholders and former and current staff and Board members. We appreciate the input of all involved in making these celebrations the success that they were and we look forward to our next milestone birthday.

The April 2018 ABV release confirmed that 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 bulls with the right mix of production, health, survival and type characteristics. The performance of our bulls in the April 2018 ABV run proves the effectiveness of our breeding strategy. Critical to this is our relationship with some of Australia's highest genetic merit herds and this remains a key focus of our breeding team as we continue to work with the best breeders in each of the three key dairy breeds to develop elite Australian genetics. Our commitment to the IVF based accelerated breeding program is testament to our belief in the ability of our Australian cow to produce world class genetics.

Our proven sire lineup is as strong as ever. Lead by Holstein sire MAEBULL with his strong BPI and a modern mix of traits, MAEBULL has been our most popular sire over the past 12 months. He joins brand name sires such as GEEMCEE, WRANGLER, ROYALMAN, CHRISTMAS and the veteran MEDALLION. MEDALLION continues to be one of the industry's most popular sires despite his age. His daughters are reflective of what farmers really appreciate in their dairy herds – average size, productive with fantastic udders.

Our Australian Holstein genomic sires are matching it with the best available. WOOKIE, TERRAINE, SUPERDAVE and KADE are fantastic new sires that can mix it with the best the world has to offer. Watch for sons of these exciting young bulls in future genomic teams.

Our Jersey line-up is characterized by bulls with rock solid proofs. AUSSIEGOLD, Australia's leading polled Jersey sire leads the team and continues to be the first choice for Jersey breeders when it comes to building frames. These outstanding proven sires are joined by a solid group of genomic sires exhibiting a range of production, type and health traits. We are pleased to include new genomic superstars, DOUGGAN and DOBSON in our line-up.

The demand for Australian Jerseys on the export market especially in South Africa and New Zealand 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.

ARBSCAREBEAR continues to be a solid contributor in the Red sector. A breed leading sire with an outstanding balanced proof, ARBSCAREBEAR has proven popular at home and abroad. As was the case last year, we had access to unofficial Australian Red genomics to allow us to more accurately identify the next generation of elite Red sires.

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, Inseme and GGI and thank them for their support over the past year. Our imported product offering is second to none in the marketplace and it complements our strong domestic offering.

Beef remains an important part of the co-operative's overall strategy. 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.

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. Our acquisition of the New Zealand company Genetic Enterprises provides us with a solid entry point into the New Zealand market, a market looking for an alternative grazing product.

China continues to be an important market for us and the appointment of a Chinese based distributor will deliver results into the future. Exports are an important part of our strategy and our investment in this space is starting to pay dividends.

Our strong merchandise portfolio includes some of the best products in their categories including, the heat detection products Estrotect heat patches and FIL tail paint. The Herd Insights animal health monitoring system is now gaining traction in a competitive part of the market. 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.

Finally, 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 provide the policy and strategy that the business needs and we look forward to executing this strategy into the future. I also wish to thank you, our shareholders and customers for your support and business and together with the entire Genetics Australia team, we extend our best wishes for the coming year ahead.

ANTHONY SHELLY
CHIEF EXECUTIVE OFFICER

MAEBULL

WOOKIE

DIRECTORS' REPORT

The Directors of Genetics Australia Co-operative Limited (the Co-operative) present their report together with the audited financial statements of the consolidated entity, being Genetics Australia Co-operative Limited and its controlled entities (the Group), for the financial year ended 30th June, 2018.

DIRECTORS

The names of the directors of the Co-operative 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
Stuart Horsburgh
John Pekin
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 entities within the Group during the financial year were the proving and sale of genetically superior bull semen for Australian and New Zealand conditions and the sale of other related items to Australian and New Zealand Dairy, Meat and Livestock Farmers.

The only significant change in the nature of the Group's activities occurred during the financial year was the commencement of operations in New Zealand.

OPERATING RESULTS

The net loss of the Group after providing for income tax amounted to $374,576 (2017 net loss of $208,662)

Other comprehensive income net of tax is $125,079 (2017 nil) Total comprehensive loss for the year is $249,497 (2017 total comprehensive loss of $208,662)

A review of the operations of the Group 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

On 1 April 2018 the Co-operative, through its newly formed wholly owned subsidiaries Genetic Investments Ltd and Genetics Australia New Zealand Limited acquired the assets of Genetic Enterprises New Zealand Limited. Details of the acquisition are included in the Group's financial statements.

There were no other significant changes in the state of affairs of the Group during the year.

EVENTS AFTER THE REPORTING DATE

The Group has entered a term contract to dispose of one of its farm properties known as Parwan Park South for the sum of $14.625 million which is considerably in excess of the property's current book valuation. Since balance date the contract has become unconditional following a vote in favour of the proposal by shareholders and a non refundable ten per cent deposit has been received by the Group. A further ten per cent is due to be paid six months after the date of sale and another ten percent eighteen months after the date of sale with the balance receivable at the end of five years. The Group will retain use of the property until the end of the term. Funds raised from the sale, net of selling expenses and capital gains tax, will enable the group to reduce debt and to rationalise and improve its operations with strategic investments in infrastructure, systems and livestock.

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

ENVIRONMENTAL ISSUES

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 of Australia or in any other jurisdiction in which it operates.

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 2018 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	**CRAIG DRAKE**
CHAIRMAN	**DEPUTY CHAIRM**

Bacchus Marsh 22nd day of October, 2018

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	10
D Cochrane	11	10
A Doyle	11	9
S Horsburgh	11	11
J Pekin	11	11
R Sprunt	11	11

AUDIT & RISK MANAGEMENT MEETINGS

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

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

AUDITOR'S DECLARATION

ShineWing AUSTRALIA

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF GENETICS AUSTRALIA CO-OPERATIVE LIMITED AND ITS CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

i. No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

ShineWing Australia

ShineWing Australia
Chartered Accountants

M J Schofield

M J Schofield
Partner

Registered Company Auditor 293528
Dated this 22nd day of October 2018
Level 10, 530 Collins Street, Melbourne, VIC, 3000

Liability limited by a scheme approved under Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Sales Revenue	4	9,159,856	8,172,348
Cost of Sales		(3,846,636)	(3,179,001)
Gross Profit		5,313,220	4,993,347
Other income	4	99,428	45,721
Employee benefits expense		(2,695,654)	(2,573,221)
Depreciation and amortisation expense	5(a)	(446,110)	(423,831)
Finance costs	5(a)	(136,151)	(114,367)
Shareholders benefits		(26,669)	(121,095)
Other expenses		(2,591,006)	(2,101,801)
Loss before Income Tax		(482,942)	(295,247)
Income tax benefit	6	108,366	86,585
Net Loss for the year		(374,576)	(208,662)
Other Comprehensive Income (net of income tax)			
Item that will not be reclassified to profit or loss			
Adjustment to future tax liability that has arisen from revaluing property, plant and equipment following a review on how an asset will be realized.		134,861	-
Foreign exchange gain/(loss) arising on consolidation		(9,782)	-
Other Comprehensive Income for the year, net of tax		**125,079**	**-**
Total Comprehensive Income / (loss) for the year		**(249,497)**	**(208,662)**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Current Assets			
Cash and cash equivalents	9	379,528	309,890
Receivables	10	1,480,915	1,536,372
Inventories	11	1,595,519	1,324,155
Other assets	12	91,176	98,761
Total Current Assets		**3,547,138**	**3,269,178**
Non-Current Assets			
Financial assets	13	-	20
Property	14	11,316,244	11,250,637
Plant & equipment, and motor vehicles	14	557,830	539,139
Livestock	14	616,745	654,778
Deferred tax assets	19	32,197	-
Intangibles	15	94,289	18,843
Total Non-Current Assets		**12,617,305**	12,463,417
Total Assets		**16,164,443**	**15,732,595**
Current Liabilities			
Trade and other payables	16	1,776,199	1,340,870
Other financial liabilities	18	11,053	2,205
Provisions	20	464,512	452,002
Total Current Liabilities		**2,251,764**	**1,795,077**
Non-Current Liabilities			
Financial liabilities	17	2,600,000	2,150,000
Other financial liabilities	18	56,981	76,838
Deferred tax liabilities	19	475,056	685,587
Provisions	20	11,744	6,298
Total Non-Current Liabilities before member's share capital		**3,143,781**	**2,918,723**
Member's interest	**24**	**125,340**	**125,740**
Total Non-Current Liabilities		**3,269,121**	**3,044,463**
Total Liabilities		**5,520,885**	**4,839,540**
Net Assets		**10,643,558**	**10,893,055**
Equity attributable to owners of the parent company			
Reserves	24	6,325,353	6,200,274
Retained earnings		4,318,205	4,692,781
Total Equity		**10,643,558**	**10,893,055**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	Retained Earnings $	General Revenue $	Asset Revaluation Reserve $	Foreign Currency Translation Reserve $	Total $
Consolidated balance at 1 July 2016	4,901,443	1,307,561	4,892,713	-	11,101,717
Loss for the year	(208,662)	-	-	-	(208,662)
Consolidated balance at 30 June 2017	4,692,781	1,307,561	4,892,713	-	10,893,055
Exchange differences on translating foreign operations	-	-	-	(9,782)	(9,782)
Increase during the year arising from a deferred tax amendment to a revalued property following a review on how the asset will be realized.	-	-	134,861	-	134,861
Loss for the year	(374,576)	-	-	-	(374,576)
Consolidated balance at 30 June 2018	4,318,205	1,307,561	5,027,574	(9,782)	10,643,558

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash Flow from Operating Activities			
Receipts from customers and other income		9,314,742	8,222,135
Payments to suppliers and employees		(9,021,888)	(8,181,587)
Finance costs paid		(136,151)	(114,367)
Net cash provided by/(used in) operating activities		156,703	(73,819)
Cash Flow from Investing Activities			
Proceeds from sale of property, plant, equipment, motor vehicles and livestock		192,401	206,776
Payments for property, plant, equipment, motor vehicles and livestock		(598,701)	(499,538)
Payment for purchase of business assets		(34,627)	-
Payments for intangibles		(75,445)	(3,000)
Net cash flows used in investing activities		(516,372)	(295,762)
Cash Flow from Financing Activities			
Proceeds from share issues		300	4,240
Payment for share cancellation/redemption		(700)	(2,140)
Payment in respect of debenture holders		(11,010)	(9,153)
Net receipt/(repayment) of borrowings		450,000	250,000
Payment of finance lease liabilities		-	(15,505)
Exchange differences on cash and cash equivalents		(9,283)	-
Net cash provided by/(used in) financing activities		429,307	227,442
Net increase/(decrease) in cash held		69,638	(142,139)
Cash at beginning of financial year		309,890	452,029
Cash and cash equivalents at the end of the financial year	9	379,528	309,890

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

About this Report

The financial report includes the consolidated financial statements and notes of Genetics Australia Co-operative Limited (the Co-operative) and controlled entities (the Group).

The functional and presentation currency of the Group is Australian dollars.

The consolidated financial statements for the year ended 30 June 2018 were approved and authorised for issue by the Board of Directors on 22nd October, 2018.

Comparatives are consistent with prior years, unless otherwise stated.

1. Basis of Preparation

The Group has elected to adopt 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 Group 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 Group 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.

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as at 30 June 2018. All transactions and balances between group companies are eliminated on consolidation. The consolidated financial statements are presented in Australian Dollars ($A) which is also the functional currency of the parent company. All assets, liabilities and transactions of Group entities with a functional currency other than $A are translated into $A upon consolidation. Income and expenses of a foreign operation have been translated into $A at the average rate over the reporting period. Non-monetary items have been translated at year-end based on historic costs (translated using the exchange rate at the date of the transaction) whilst monetary items are translated using the exchange rate at balance date. Exchange differences are charged and/or credited to other comprehensive income and recognised in foreign currency translation reserve in equity.

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 Group 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 Group 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 $45,941 (2017 $40,000) is required to cover any obsolescence of inventory.

3. Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2018, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

Note 4 : Revenue

	2018 $	2017 $
Sales Revenue		
sale of goods	8,908,007	7,824,274
genetic and other services	251,849	348,074
Total sales revenue	9,159,856	8,172,348
Other income		
export grant	47,980	15,494
gain on disposal of plant and equipment and livestock	51,448	30,157
gain on forfeiture of shares	-	70
Total other income	99,428	45,721

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 Group 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 Group is entitled to it.

Note 5 : Loss before Income Tax

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

a. Expenses

	Note	2018 $	2017 $
Stock Writedown		65,922	43,407
Finance costs - External		136,151	114,367
Depreciation of non-current assets	14	446,110	423,831

Accounting treatment

Finance Cost

Finance cost includes all interest-related expenses.

Note 5 : Loss before Income Tax (continued)

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 Group operates. The financial statements are presented in Australian dollars which is the Group'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.

Note 6 : Income Tax Expense (Benefit)

		2018 $	2017 $
(a)	**The components of tax expense (benefit) comprise:**		
	Current tax	-	-
	Deferred tax	(108,366)	(86,585)
		(108,366)	(86,585)
(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 at prevailing income tax rates	(133,384)	(88,574)
	Add		
	Tax effect of:		
	-Non-deductible expenses	1,462	1,989
		1,462	1,989
	Less:		
	Tax effect of:		
	-Net effect to deferred tax assets and liabilities on change in taxation rate	(23,556)	-
		(23,556)	-
	Income tax expense/(benefit) attributable to the group	(108,366)	(86,585)

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

	2018 $	2017 $
Remuneration of auditor		
-audit for the year ended 30 June	30,000	21,000
-other services	2,000	2,000
	32,000	23,000

Note 8: Key Management Personnel Remuneration

	2018 $	2017 $
Total of Remuneration paid to key management personnel of the Group during the year is as follows:		
- Directors	156,259	149,031
- Executives	542,099	706,660
	698,358	855,691

Notes:-

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

2. Following a restructure at senior executive level during the financial year, the number of executives included in the remuneration figure above has fallen from five to four.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Note 9 : Cash and Cash Equivalents	2018 $	2017 $
Cash at bank and on hand	379,528	309,890

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	379,528	309,890
Cash and cash equivalents	379,528	309,890

The Co-Operative has a fully undrawn bank overdraft facility of $100,000 at 30 June 2018.

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 Consolidated Statement of Financial Position.

Note 10: Trade and Other Receivables

Trade receivables	1,645,190	1,725,601
Loans to directors	1,146	-
Provision for impairment of receivables	(189,229)	(189,229)
	1,457,107	1,536,372
Other receivables		
Sundry debtors	23,808	-
	1,480,915	1,536,372

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

(a) 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 $10,144 (2017 $12,269).

(b) 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 $8,998 (2017 $19,215).

Movement in provision for impairment of receivables

Opening balance	(189,229)	(198,252)
Movement in year	-	9,023
Closing balance	(189,229)	(189,229)

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 2018

Note 11: Inventories

	2018 $	2017 $
Semen at net realisable value	1,324,689	953,726
Merchandise at net realisable value	316,771	410,429
	1,641,460	1,364,155
Provision for Stock Write Offs	(45,941)	(40,000)
	1,595,519	1,324,155

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	91,176	98,761
	91,176	98,761

Note 13 : Financial Assets

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

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

Land and Buildings - at fair value	11,478,769	11,325,247
less accumulated depreciation	(162,525)	(74,610)
Total Land and Buildings	11,316,244	11,250,637
Plant, Equipment & Motor Vehicles - at cost	4,693,728	4,635,848
less accumulated depreciation	(4,135,898)	(4,096,709)
Total Plant, Equipment & Motor Vehicles	557,830	539,139
Total Property, Plant & Equipment	11,874,074	11,789,776
Livestock- at cost	1,020,118	1,123,949
less accumulated depreciation	(403,373)	(469,171)
Total livestock	616,745	654,778
Total	12,490,819	12,444,554

	Land and Buildings	Plant, Equipments & Motor Vehicle	Livestock	Total
Consolidated balance at 30th June 2017	11,250,637	539,139	654,778	12,444,554
Additions	153,522	172,180	272,999	598,701
Purchase of business assets	-	34,627		34,627
Disposal - written-down value	-	(31,310)	(109,643)	(140,953)
Depreciation expense	(87,915)	(156,806)	(201,389)	(446,110)
Consolidated carrying amount at 30th June 2018	11,316,244	557,830	616,745	12,490,819

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 Group 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 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 rates
Buildings	2.5-20%
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.

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

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.

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 Group, 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	2018 $	2017 $
Note 15 : Intangibles			
Trademarks		18,844	18,843
Goodwill		75,445	-
		94,289	18,843

Movements in intangibles

	Trademarks	Goodwill	Total
Balance at 30th June 2017	18,843	-	18,843
Additions	1	75,445	75,446
Carrying amount at 30th June 2018	18,844	75,445	94,289

Accounting treatment

Intangible Other than Goodwill

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

Goodwill

Goodwill represents the future economic benefits arising from the purchase of a business. It is carried at cost and is subject to impairment testing.

	2018 $	2017 $
Note 16 : Trade and Other Payables		
Current		
Trade payables	1,408,186	971,686
Sundry payables and accrued expenses	368,013	369,184
	1,776,199	1,340,870

Accounting treatment

Trade and other payables represent the liability for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within contract terms which are all less than one year.

Note 16 : Trade and Other Payables (continued)

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 Consolidated 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		**2018 $**	**2017 $**
Non-current			
Bank loan secured		2,600,000	2,150,000
		2,600,000	2,150,000
(a)	Total current and non-current secured liabilities:		
	Bank loan	2,600,000	2,150,000
		2,600,000	2,150,000
(b)	The carrying amounts of non-current assets pledged as security are:		
	First mortgage		
	- Freehold land and buildings	8,330,664	8,309,522
		8,330,664	8,309,522

The bank loan is to Genetics Australia Co-operative Limited and the term of the loan expires on 30 September 2019. Genetics Australia Co-operative Limited has met their bank covenants during the reporting period and up to date of signing of the financial statements. There is no requirement for the Group 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	11,053	2,205
Non-current		
Debentures repayable after 12 months	56,981	76,838
	68,034	79,043

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Note 19 : Tax	2018 $	2017 $
a) Assets (Liabilities)		
Deferred tax assets comprise:		
Income tax losses not offsettable	32,197	-
	32,197	-
Deferred tax liabilities comprise:		
Tax allowances relating to		
Property, plant and equipment, motor vehicles and livestock	(2,234,881)	(2,488,633)
Provisions	128,044	137,490
Income tax losses	1,526,883	1,567,053
Other	104,898	98,503
	(475,056)	(685,587)
Net liability	(442,859)	(685,587)
b) Reconciliations		
Gross Movements		
The overall movements in deferred tax account is as follows:		
Consolidated opening balance	(685,587)	(772,172)
Credited (charged) to the income statement	108,366	86,585
Transferred to asset revaluation reserve following an amendment to deferred tax liability resulting from a review on how an asset will be realized.	134,861	-
Foreign exchange conversion difference	(499)	-
Consolidated closing balance	(442,859)	(685,587)

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 Group 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.

Note 20 : Provisions	**2018 $**	**2017 $**
Current		
Annual Leave	138,178	148,797
Long Service Leave	326,334	303,205
	464,512	452,002
Non Current		
Long Service Leave	11,744	6,298
	11,744	6,298
Aggregate employee entitlements liability	476,256	458,300
Employee Benefits		
Consolidated opening balance at beginning of year	458,300	472,944
Amounts used	(178,800)	(183,612)
Additional provisions raised during the year	196,756	168,968
Consolidated balance at end of year	476,256	458,300

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 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 the end of the reporting period.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Notes 21 : Reserves

General Reserve

The general reserve records funds set aside for future expansion of the Group.

Asset Revaluation Reserve

The asset revaluation reserve records revaluations of Property.

	2018 $	2017 $
Note 22 : Capital commitments		
Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
Livestock	6,420	20,240

Notes 23 : 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, bank loan sand debentures.

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:

	Note	2018 $	2017 $
Cash and cash equivalents	9	379,528	309,890
Receivables	10	1,480,915	1,536,372
Financial Assets	13	-	20
Total Financial Assets		1,860,443	1,846,282
Financial Liabilities:			
Financial liabilities at amortised cost:			
- Trade and other payables	16	1,776,199	1,340,870
- Bank loans - secured	17	2,600,000	2,150,000
- Debentures	18	68,034	79,043
Total Financial Liabilities and Debentures		4,444,233	3,569,913

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 Group 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.

Notes 23 : Financial Risk Management (continued)

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.

(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 Group 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 Group 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 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 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 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. 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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

	Note	2018 $	2017 $
Notes 24 : Members Interest and Equity			
a) Share Capital:			
The details of share capital are as follows:			
Opening balance - 62,870 fully and partly paid shares		125,740	123,710
Shares issued during the year		300	4,170
Shares cancelled/redeemed/forfeited during the year		(700)	(2,140)
Closing balance - 62670 fully paid shares		125,340	125,740
Number of Members		1,192	1,195
Number of Shares forfeited under Part 2 of the Co-operative National Application Act 2013		-	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Notes 24 : Members Interest and Equity (continued)

Accounting treatment

Members share capital is treated as a liability of the Group. Classification in this manner occurs because the Genetics Australia Co-operative Limited 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.

b) Components of Equity
The details of reserves are as follows:

	Foreign currency translation reserve $	Asset revaluation reserve $	General Reserve $	Total $
Consolidated balance at 1 July 2016	-	4,892,713	1,307,561	6,200,274
Movement in year	-	-	-	-
Consolidated balance at 30 June 2017	-	4,892,713	1,307,561	6,200,274
Other comprehensive income for the year (all attributable to the parent):				
Increase during the year arising from a deferred tax amendment to a revalued property following a review on how the asset will be realized.	-	134,861	-	134,861
Exchange differences on translating foreign operations				
Before tax	9,116	-	-	9,116
Tax benefit	(499)	-	-	(499)
Net of tax	8,617	-	-	8,617
Exchange difference on loan to foreign operation	(18,399)	-	-	(18,399)
Consolidated balance at 30 June 2018	(9,782)	5,027,574	1,307,561	6,325,353

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

Related parties include the parent company, Genetics Australia Co-operative Limited, it’s wholly owned subsidiary, Genetics Investments Limited, it’s wholly owned subsidiary Genetics Australia New Zealand Limited, directors and senior management of the group. Details relating to the companies are set out in Notes 30 and 31 and remuneration of directors and executives is disclosed in Note 8.

A related party transaction that took place after the end of the financial year and which involved a relative of a member of the senior management team is disclosed in Note 32

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Notes 27 : New Accounting Standard AASB 9 Financial Instruments 2014

In the 2015/16 financial year the Genetics Australia Co-operative Limited elected to early adopt AASB 9 which is applied retrospectively from 1 July 2015.

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 28 : New and Revised Accounting Standards that are effective for these financial statements

A number of new and revised standards become effective for annual periods beginning on or after 1 July 2017.

Information on the more significant standards is presented below.

AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax for Unrealised Losses

AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the far value of a debt instrument below cost.

AASB 2016-1 is applicable to reporting periods beginning on or after 1 January 2017

AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure initiative: Amendments to AASB 107

AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide certain additional disclosures

AASB 2016-2 is applicable to reporting periods beginning on or after 1 January 2017

AASB 2016-4 Amendments to Australian Accounting Standards - Recoverable amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

The Standard amends AASB 136 Impairment of Assets to remove references to depreciated replacement cost as a measure of value for not-for-profit entities and to clarify that the recoverable amount of primarily non-cash-generating assets , which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement.

AASB 2016-4 is applicable to reporting periods beginning on or after 1 January 2017

The adoption of these standards has not had a material impact on the Group.

Notes 29 : Acquisitions

During the year the group incorporated a wholly owned Australian subsidiary, Genetic Investments Ltd, and a wholly owned New Zealand subsidiary, Genetics Australia New Zealand Limited. On 1 April 2018 the group acquired the assets and certain liabilities of a New Zealand company Genetic Enterprises New Zealand Limited details of which are as follows:

	$
Inventories	136,946
Plant and Equipment and Motor Vehicles	34,627
Goodwill	75,445
Transfer of IP	1
Annual Leave liability	(7,524)
Net cash paid relating to acquisition	239,495

Notes 30 : Composition of the Group
Set out below are the details of the subsidiaries held directly by the Group:

Name of subsidiary	Country of incorporation and principal place of business	Principle activity	Proportion of ownership interests held by the Group. 2018	2017
Genetic Investments Ltd.	Australia	Investments	100%	0
Genetics Australia New Zealand Limited	New Zealand	Sale of genetically superior bull semen to the NZ Dairy Industry.	100%	0

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Notes 31 : Parent entity information

Information relating to Genetics Australia Co-operative Limited (the Parent Entity):

	2018 $	2017 $
Statement of Financial Position		
Current assets	3,295,872	3,269,178
Total assets	15,773,152	15,732,595
Current Liabilities	1,803,510	1,795,077
Total Liabilities	5,035,701	4,839,540
Net assets	10,737,451	10,893,055
Retained earnings	4,402,314	4,692,781
General reserve	1,307,561	1,307,561
Asset revaluation reserve	5,027,576	4,892,713
Total equity	10,737,451	10,893,055
Statement of profit or loss and other comprehensive income		
Profit/(Loss) for the year	(290,466)	(208,692)
Other comprehensive income	125,079	-
Total comprehensive income	(165,387)	(208,692)

Notes 32 : Events after the reporting date

The group has entered a term contract to dispose of one of its farm properties known as Parwan Park South for the sum of $14.625 million which is considerably in excess of the property's current book valuation of $3.1 million . Since balance date the contract has become unconditional following a vote in favour of the proposal by shareholders and a non refundable ten per cent deposit has been received by the Group. A further ten per cent is due to be paid six months from the date of sale and another ten per cent is due 18 months from the date of sale with the balance receivable at the end of five years. The group will retain use of the property until the end of the term and it is not anticipated that title will transfer until that time although the purchaser has the right to request an earlier transfer of title. Funds raised from the sale, net of selling expenses and capital gains tax, will enable the group to reduce debt and to rationalise and improve its operations with strategic investments in infrastructure, systems and livestock.

Stockdale and Leggo handled the sale of the property on behalf of the group and one of their agents is a relative of the CEO of the parent company of the group. In recognition of the relationship between the parties, the directors of the parent company ensured that all negotiations were at arms length and that the CEO had no involvement in the sale process or any discussions pertaining to it until after the contract was signed. The amount paid or payable to Stockdale and Leggo, which covers commissions as well as selling costs, is $731,250.

No other 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 results of those operations, or the state of affairs of the Group 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 2018 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 22nd day of October 2018

AUDIT REPORT

FOR THE YEAR ENDED 30 JUNE 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GENETICS AUSTRALIA CO-OPERATIVE LIMITED AND ITS CONTROLLED ENTITIES

Opinion

We have audited the financial report of Genetics Australia Co-operative Limited and its controlled entities (the Group) which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Group 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 Group's financial position as at 30 June 2018 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 Group 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 Group, 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 Group's annual report for the year ended 30 June 2018, 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 Group 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, the Co-operative National Law Application Act 2013 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 Group 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 Group 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 Group'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 Group'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 Group 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

ShineWing Australia
Chartered Accountants

M J Schofield

M J Schofield
Partner

Melbourne, 22 October 2018

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