

Genetics Australia Cooperative Limited

# 2011–2012 Annual Report



## Genetics Australia Cooperative Limited and Controlled Entities

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**Chief Executive Officer**  
Chris Jones, BSc, MSc, MBA, Dip. Marketing

**Secretary**  
Marnie Mizzi

**Auditors**  
Bell Partners,  
Chartered Accountants

**Bankers**  
National Australia Bank Limited

### Directors as at 30 June 2012

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

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

**Wesley Brown**  
Tamworth, NSW

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

**Craig Drake** Dip. Ag. Sc., Dip. Farm Man., FAICD Dip.  
Allansford, Vic. (elected 9th December 2011)

**Trevor Henry**  
Maffra, Vic.

**Daryl Hoey**  
Katunga, Vic. (appointed 28th May 2012)

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

## Chairman's Review 2012



Ross Gordon

The dairy industry experienced more favourable seasonal conditions and milk price versus cost pressures in the 2011-2012 financial year in most key dairying areas.

It is pleasing to announce that your co-operative achieved a solid Net Profit After Tax of \$458,330 for the 2011-2012 year, compared to \$7,772 in the previous year. Total group revenue of \$17,158,738 was an increase of 2% on 2010-2011.

Genetics Australia was finally able to supply sexed semen from our elite Australian based bulls. We now offer our shareholders the opportunity to source sexed semen from many of our proven bulls in all three breeds. Added to this is the opportunity to use sexed semen from our Genomic team, further enhancing genetic gain. I must acknowledge the commitment of Genetics Australia staff to make this possible as it requires many extremely early mornings, even by dairy farmer standards.

Genomics is now becoming the foundation of breeding principles worldwide. Genetics Australia is now testing two-thirds of the bulls in the Australian system, as we cast the net wider in the search for elite genetics for our shareholders. With the assistance of Dairy Futures CRC, Holstein Australia, Jersey Australia and ADHIS, we are working to make the Australian technology more robust with the aim to identify Australia's best bulls. To their credit, our bull breeders have embraced genomics and have 'thought outside the square' to maintain a competitive edge.

An example of this is the successful arrangement with the French co-op Genes

Diffusion (GD). The EU accreditation of Parwan Park has enabled Genetics Australia to jointly sample bulls born in Australia with GD in Europe. One of these bulls, TRICKIN, is Australian-bred and is No. 4 ISU bull in France. He is being used as a sire of sons throughout Europe.

The success of genomics is still reliant on the benchmark data we receive from our progeny test participants. The industry is indebted to these members who year on year use progeny test semen. It is worth noting of course that they also enjoy the benefits of genomics well before the rest of the industry.

The April ADHIS proofs again produced some excellent results for your co-operative. New Holstein graduates included BUDDHA (240 APR), WESTGATE (236 APR) and DEANCOX (232 APR). The ABV(g)s resulted in JETFINN being No. 1 at 301 APR, and seven of the top 10 were Genetics Australia bulls. These bulls, combined with previous graduates MEDALLION, DELSANTO, CARDINAL and USEAGE, provide excellent options for our shareholders, whatever their breeding goals.

In the Jersey proofs, VALERIAN, LARFALOT, TAILBOARD and GAINFUL, along with WWS bull JURACE, all maintained top ten rankings.



Breeder Wayne Kuhne with new Holstein graduate BUDDHA.



New Aussie Red graduate ARBLIPPMAN, listed No. 3 with 194 APR.



Kirsty & Paul Westaway manning the Sterling Sires stand at the UK Livestock Exhibition.

Genetics Australia continues to dominate the Aussie Red breed, with nine of the top ten bulls. Heading the list is ARBBONJOVI, with new graduate ARBLIPPMAN at No. 3.

Congratulations to the breeders of bulls in all of our teams. We look forward to continuing the relationship and working with the many great cow families throughout Australia. A new breeder agreement will help strengthen that relationship.

It became apparent to the joint-venture partners that Global Sires would have difficulty achieving the outcomes we all aspired to, and that there was perhaps a better alternative. This resulted in the winding up of Global Sires and the creation of a distributor agreement between WWS and Genetics Australia.

Chris Jones, our CEO, and Mannie Mizzi, our Finance Manager, were instrumental in achieving the ideal outcome for Genetics Australia. Time has shown this to be successful for both Genetics Australia and WWS.

Part of this success is due to the smooth transition of the Global Sires staff into Genetics Australia. Peter Semmens has been instrumental in the transition, with minimal disruption to clients and resellers.

The intended goal of supplying quality genetics from all over the world to supplement our Australian genetics has now given our sales team the full array of quality genetics for all Australian farmers.

This arrangement has also allowed Nigel Semmens to concentrate on the beef industry. There are many opportunities both domestically and internationally for importing and exporting of beef semen.

Part of the Board's diversification strategy is to expand our export potential. Rob Derksen has accepted the role as Export Manager. Rob has been able to instigate an agreement with Sterling Sires in the UK. There is a solid demand for grass-fed genetics, in the UK and Ireland in particular, and although

it is small beginnings we are confident of a positive outcome. We have also appointed a representative in Latin America as the demand for grass-fed genetics is also strong there, due to high input costs for local farmers. South Africa is still our major export market, particularly for Jersey semen, and there are plans in hand for North America.

Another part of the export division is the export of live pedigree bulls to China through Austrex. This is a growing market and contributes significantly to our profitability.

During the year we developed an air freight export quarantine facility at Parwan Park South. This allows Genetics Australia to keep total control of our breeding animals right through quarantine until they leave for overseas. It also allows for third-party quarantine and further revenue.

***'Congratulations to the breeders of bulls in all of our teams. We look forward to continuing the relationship and working with the many great cow families throughout Australia.'***

Peter Thurn and Director Trevor Henry both travelled with a bull shipment to China. Their subsequent reports indicate Austrex has animal welfare issues well in hand with the Chinese authorities.

Genetics Australia values our relationships with industry stakeholders highly, including Dairy Futures CRC, ADHIS, Dairy Australia, HFA, JA and NHIA. We acknowledge that it is critical we all work together for the benefit of Australian dairy farmers.

As Genetics Australia enters its 55th year of operation, the importance of staff to the organisation is reflected in the regular service awards given throughout the year.

This year we congratulate David Williams (15 years), Dean Meesen (10 years) and five years of service to Gillian Marshman, Heather

Campbell, Allison Carr, and Karen Davies. Well done.

On behalf of the Genetics Australia Board I congratulate our CEO Chris Jones, the senior management team and all staff for the turnaround in Genetics Australia's performance. Along the journey change is inevitable to remain relevant to our shareholders and customers. Sometimes these changes are hard to swallow, but we are all working for a better Genetics Australia.

Thank you, one and all for your commitment.

To my fellow Board members, thank you for your dedication to the role, your commitment in time and diligence to the challenges that inevitably arise. During the year Bryan Dickson and Noel Campbell resigned from the Board, and I thank them both for their service to the co-op.

Consequently the Board welcomed Craig Drake and Daryl Hoey, who both bring a wealth of experience to Genetics Australia.

Although Genetics Australia has posted a respectable profit for 2011-2012, the future is uncertain as the dairy industry grapples with cost price issues, climatic challenges, supermarket margin erosion and fewer young people entering the industry.

The Board believes the co-op must adapt to meet the future challenges. As a result we have signed a Heads of Agreement with HICO to explore the possibility of merging the two co-ops. Both believe one strong co-op will better serve the needs of our shareholders into the future. As we work through the complexities of such an exercise we will regularly inform our shareholders of our progress as we move toward a shareholder vote.

In the meantime we will continue to strive to meet the needs of our shareholders.

Ross Gordon, Chairman

## CEO's Review



Chris Jones

In my second full year at Genetics Australia I am delighted to report on the very positive progress made by your co-operative despite the ongoing economic, competitive and environmental challenges our industry faces which are unrelenting in impact and scope.

We recognise that weather and economics are the two critical factors that shape dairy profitability at the farm gate. Whilst their impact on the success of our members and customers directly affects the performance of the co-operative, our focus remains the same through good times and bad. And that is:

*"To improve the profitability and sustainability of dairy farming business through the supply of elite genetics and essential herd improvement services."*

It is our commitment to your sustainability and profitability that sets us apart from our competitors and we understand that as a business, we need to remain relevant and strong in order to fulfil our mission and obligations to you, our shareholder members.

### Performance matters over the long term

There are four key performance areas for the business on which to focus. These elements are essential to maintain both the short-term viability of the business and also strengthen the long-term sustainability of your co-operative. They are:

- Financial results
- Business activities
- Future growth initiatives
- Organisational contribution

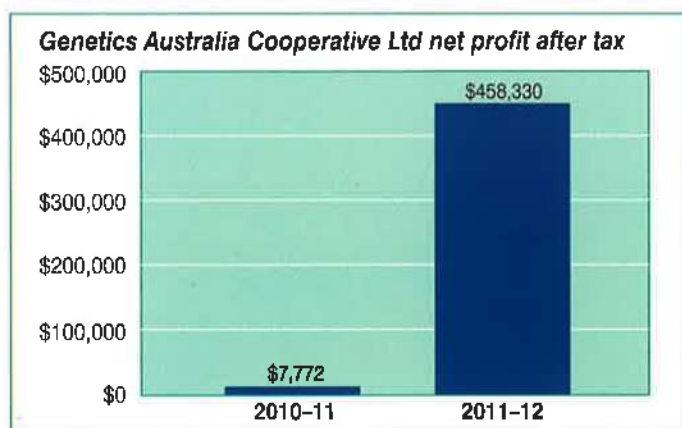
### Financial results

The challenge for any business, but more particularly for a member-focused business such as ours, is to strike the balance between strong business performance and providing benefits in the form of value-for-money products and services to our members. The way the co-operative is managed must produce good financial outcomes to enable it to function successfully over the long term, and indeed to survive.

Genetics Australia's result for the 2011-12 financial year represents a significant improvement on the previous year:

- Net Profit After Tax: \$458,330 (prior year \$7,772)
- Working Capital \$2.6 million
- Net Capital Employed of \$11.9 million

The substantial improvement in profitability and cash flow provides future financial strength, placing Genetics Australia in a better position to expand and improve our operations in order to meet our service commitment to members and customers. Whilst this is a good result, it is not a guarantee for the future and our approach will need to be constantly reviewed, shaped and re-aligned to maintain the excellent progress that has been made in a relatively short time frame.



The substantial improvement in profitability and cash flow provides financial strength, placing Genetics Australia in a better position to expand and improve our operations.

### Business activities

The 2011-12 period saw a boost in farmer confidence as the recovery from the drought continued. This created the opportunity for many dairy farmers to re-invest in quality genetics to rebuild cow numbers and lift the productivity of their herds. This aligns strongly with our purpose and aim which is to develop the best bulls for our milk payment systems and our unique Australian farming environment.

Our core activity continues to focus on the **dairy sector** with great results achieved during the year.

Of the top Australian-standing, daughter-proven Holstein bulls ranked on APR, the top five are all owned by Genetics Australia while seven of the top ten Holsteins, based on genomic ABVs, are also offered by the co-operative. This is a fantastic achievement and not only does it highlight the strength of our program, but reflects the skill and expertise of our breeder partners. Type continues to be a feature of our bulls with the breed-leading Holstein, MEDALLION, being one of the most popular bulls available in Australia.

The Jersey program continues to produce quality genetics and the strengths of the local bulls can clearly be seen by five of the top ten daughter-proven Jersey bulls as well as six of the top ten genomic sires, all being available from the co-operative.

The Aussie Red breed also continues to be a real success story for Australia and we are pleased that Genetics Australia bulls are leading the way. Genetics Australia has nine of the top 10 Aussie Reds with both production and type ABVs.



Type continues to be a feature of our bulls, such as the breed-leading Holstein MEDALLION.

Our commitment to these three breeds remains strong and is underpinned by a solid working relationship with their respective breed societies. In many instances, ours and the breed society's aims are the same, and collaboration becomes the obvious way forward. We thank the breed societies for their help and support over the past year.

We also recognise the diverse requirements of the dairy genetics market and your co-operative is in a strong position to cater for these needs. Our relationship with World Wide Sires enables us to present the market with a broad product portfolio, including many of the best bulls available from North America and Europe. This offering includes bulls such as 7H8081 PLANET. PLANET holds a dominant position in a large number of countries, including a Top 10 ranking in Australia and has been used globally to sire the next generation of young sires.

During the year GAC re-entered the **beef sector**, providing a new outlet for Australian beef breeders to offer their product domestically and internationally. Genetics Australia is now well on the way to building a local catalogue of bulls sourced from top Australian breeders. Alongside the local offering are bulls sourced through our strategic partnership with World Wide Sires, giving our members access to the widest catalogue of beef sires in the market.

Beyond genetics, the co-operative continues to make a significant contribution to herd improvement by supplying a wide range of **merchandise products** that target the needs of dairy and beef producers. This division of our business has achieved year-on-year

growth with increased on-line sales to more remote areas where dedicated herd improvement outlets don't exist and delivery services are not available.

Sales of the *Estroject* heat detection patch, first introduced to Australia by Genetics Australia, continue to grow as more farmers recognise their ease of use, accuracy and superiority over the competitor copies. During the year the co-operative was appointed as the Australian distributor for *Moo Monitor*, the world's most successful electronic activity-based, heat detection aid. Both these leading products reflect our desire to help farmers improve their herd's fertility and is now one of our highest priorities.



Genetics Australia was appointed Australian distributor for Moo Monitor.

Our historical commitment to **herd testing and herd improvement services** remains an integral part of our retail business. We recognise that herd testing is the cornerstone of both individual herd and overall industry genetic improvement. Programs such as *Genescreen*® take herd testing to another level by allowing over 700 farmers each year to mine their herd test data in order to monitor and compare herd performance, as well as providing sound mating solutions. Our insemination, freeze branding and dehorning activities combine with herd testing to provide a complete portfolio of services for our members and customers, and require careful management to ensure cost-returns maintain the viability of this valuable service. The addition of quality genetics from around the world and the most extensive merchandise range on offer, means that your co-operative is in the best position to supply all of your herd improvement needs.

#### Future growth initiatives

To succeed in the future we need to ensure that we remain relevant to the changing needs of our customers. This requires us to balance three key aspects of our business reflecting continuity and renewal:

- the activities we need to maintain and strengthen
- the activities we need to change or let go
- identify and introduce new activities that will take the business forward.

Economic and environmental issues make change the new constant for both our industry and for the Co-operative. From the many initiatives embarked on, the following should be highlighted for further mention.

Our commitment to Research and Development through our association with the Dairy Futures CRC remains strong. This world-leading research group, to which Genetics Australia is a contributing partner, is at the leading edge of technology research. Genetics Australia has benefited greatly from this association and we look forward to incorporating further research outcomes into our business. Our association with other industry associations also remain critical relationships that must endure and strengthen.

A key focus for Genetics Australia this year has been **export**. Considerable resources have been devoted to this area and are starting to pay dividends. These resources are at the physical, operational and staffing levels of the business and will ensure that we can capitalise on



John & Vicki Lillico from Tasmania use Genescreen to make better genetic decisions.

most of the export opportunities that we identify. Grazing genetics is an ever-growing part of the world market as the best cost platform for dairy and beef, and we are intent on positioning our business to take advantage of this.

Over the last two years and under the guidance of the Board of Directors, plans have been developed to reshape the business and the organisation towards a sustainable future. This is never easy and good intentions alone are never enough. Plans are simply plans if they are not effectively implemented. With this in mind I would highlight the following initiative.

In December 2012, the Genetics Australia Board announced its intention to explore a consolidation of the business assets and organisations of Genetics Australia (GAC) and Herd Improvement Co-operative Australia Ltd (HICO). The prospective new co-operative has the potential to create a larger, better resourced and more profitable Australian herd improvement business whilst retaining and growing the shareholder base. Our Board is confident that this is the right direction for your co-operative. We are currently engaged in seeking regulatory approval for this consolidation and following this we will be seeking approval from our shareholders. This is a very exciting time for your co-operative as we create a future full of promise.

#### Organisational contribution

Agricultural businesses are constantly changing and evolving and Genetics Australia is no different. We need to ensure that the required skills and capabilities are developed to keep us at the forefront of technology and industry leadership. New faces will arrive to replace those that retire or move on. Our culture and organisational mind-set must evolve to embrace a strong commitment to both product excellence and customer focus whilst maintaining the strong values that underpin our organisational approach.

Your Co-operative is served by a dedicated and passionate group of employees that have, through their collective efforts, contributed to Genetics Australia achieving the business and financial performance results outlined in this annual report. I applaud them for their wonderful efforts throughout the year.

In my role as CEO, I am also supported by a committed and professional Board of Directors and their guidance and governance both to Genetics Australia and in many cases to other industry organisations should be fully acknowledged.

#### Our aspiration at Genetics Australia

The uncertain and unforgiving nature of agriculture demands that organisations such as Genetics Australia create a sustainable business platform that can ride the industry highs and lows. We aspire to maintain our position as Australia's premier provider of herd improvement services and products and we remain committed to meeting the needs of our shareholders and customers.

Chief Executive Officer

## Director profiles



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

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



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

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



**Wesley Brown**  
Tamworth, NSW

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



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

Frank was appointed to the Board in 2008. He is currently Chairman of Warrambool Cheese and Butter Limited. He has extensive experience in banking, finance and governance. He is also Chairman of the Audit and Risk Management Committee.



**Craig Drake**  
Dip. Ag. Sci., Dip. Farm Man.,  
FAICD Dip  
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 Warrambool Cheese and Butter and former chairman of Western Herd Improvement. Craig is a member of the Audit and Risk Management Committee.



**Trevor Henry**  
Maffra, Vic.

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



**Daryl Hoey**  
Katunga, Vic.

Daryl was appointed to the Board in May 2012 to fill a casual vacancy. He is a dairy farmer at Katunga, northern Victoria, milking 300 cows in a family partnership. Daryl holds representative positions on industry boards: ADHIS, Australian Dairyfarmers, Murray Dairy and United Dairy Farmers of Victoria.



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

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

### Meetings of Directors

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

Director	Board Meetings		Audit & Risk Management Meetings	
	Eligible to Attend	Attended	Eligible to Attend	Attended
R Gordon	11	10		
S Bennett	11	10	11	10
W Brown	11	10	6	6
N Campbell	9	9		
F Davis	11	9	11	9
B Dickson	1	1		
C Drake	5	5	2	2
T Henry	11	11		
D Hoey	2	2		
J Karnoe	11	10	11	10



**Bryan Dickson**  
Terang, Vic.

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



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

Noel was elected to the Board in 2007. He previously served on the Board from 1992 to 1999. He has business experience in a number of fields, was Chairman of Bonlac Supply Company for 8 years and Chairman of Fonterra Australian Forum for 2 years. He is a Board member of Australian Dairy Farmers Limited. Noel resigned from the Board on 28th May 2012.

## Director's Report

Your Directors present their report, together with the audited financial report of the consolidated Group for the financial year ended 30<sup>th</sup> June, 2012.

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

Ross Kenneth Gordon (Chairman)  
 Simon Francis Bennett (Deputy Chairman)  
 Wesley Brown  
 Noel Robert Campbell (Resigned 28<sup>th</sup> May 2012)  
 Francis Joseph Davis  
 Bryan John Dickson (Resigned 25<sup>th</sup> July 2012)  
 Craig Leslie Drake (Elected 9<sup>th</sup> December 2011)  
 Trevor Henry  
 Daryl Hoey (Appointed 28<sup>th</sup> May 2012)  
 Jens Peter Karnoe

Refer to pages 2 and 6 for the Director's qualifications and meeting attendances.

The principal activities of the Group during the financial year were the proving and sale of genetically superior bull semen for Australian conditions and the sale of other related items to Australian Dairy Farmers.

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

The Net profit of the Group after providing for income tax amounted to \$458,330 after eliminating the profit attributable to outside equity interest.

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

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

The Directors recommend that no dividend be paid.

Since the reporting date the Directors have undertaken a process to assess the viability of a Merger with Herd Improvement Co-operative Australia Limited (HICO).

We are currently seeking regulatory approval for the merger before seeking approval from our shareholders.

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

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

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

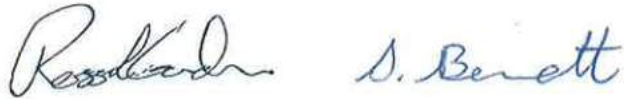
No person has applied for leave of court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings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

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

**Auditor's Independent Declaration**

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

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



Ross Gordon, Chairman

Simon Bennett, Deputy Chairman

Bacchus Marsh 18<sup>th</sup> day of February, 2013



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

I declare that, to the best of my knowledge, during the year ended 30 June 2012 there have been:

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



**Bell Partners**



**Ryan H Dummett (Partner)**

Registered Company Auditor 217647

Dated this 15<sup>th</sup> day of February 2013

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

Liability limited by a scheme approved under Professional Standards Legislation.

## Income Statement

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
Revenue	3	16,549,729	16,286,738
Profit on sale of assets		609,009	366,290
Changes in inventories of finished goods		27,476	(47,172)
Semen and Merchandise Used	4	(5,136,495)	(5,403,410)
Stock writedown		(139,949)	(148,044)
Employee benefits expense		(5,874,668)	(5,838,046)
Depreciation and amortisation expense	4	(824,875)	(879,690)
Finance costs	4	(254,074)	(281,370)
Shareholder benefits		(65,373)	(86,016)
Other expenses	4	(4,301,034)	(3,974,919)
Profit/(Loss) before Income Tax		589,746	(5,639)
Income tax (expense) / benefit	5	(19,234)	(44,685)
Profit/(loss) for the year		570,512	(50,324)
Profit/(loss) attributable to:			
Members of the parent entity		458,330	7,772
Non-controlling interest		112,182	(58,096)
		570,512	(50,324)

## Statement of Comprehensive Income

For the year ended 30 June 2012

Profit/(loss) for the year	570,512	(50,324)
Total comprehensive income for the year	570,512	(50,324)
Total comprehensive income attributable to:		
Members of the parent entity	458,330	7,772
Non-controlling interest	112,182	(58,096)
	570,512	(50,324)

The accompanying notes form part of these financial statements.

## Statement of Financial Position

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Current Assets</b>			
Cash and cash equivalents	8	248,075	6,266
Trade and other receivables	9	3,438,393	3,727,435
Inventories	10	3,361,602	3,334,126
Other assets	11	107,331	88,417
Land held for sale	11A	1,800,000	–
<b>Total Current Assets</b>		<b>8,955,401</b>	<b>7,156,244</b>
<b>Non-Current Assets</b>			
Financial assets	12	5,569	27,364
Property	14	8,378,127	10,193,292
Plant & equipment, and motor vehicles	14	1,674,644	1,625,913
Livestock	14	619,174	584,154
Intangibles	15	20,958	33,064
<b>Total Non-Current Assets</b>		<b>10,698,472</b>	<b>12,463,787</b>
<b>Total Assets</b>		<b>19,653,873</b>	<b>19,620,031</b>
<b>Current Liabilities</b>			
Trade and other payables	16	2,875,951	3,357,250
Financial Liabilities	17	2,744,400	2,714,335
Provisions	20	693,233	659,714
<b>Total Current Liabilities</b>		<b>6,313,584</b>	<b>6,731,299</b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	17	293,542	377,315
Other Financial Liabilities	18	100,396	100,641
Deferred tax liabilities	19	866,240	847,003
Provisions	20	9,191	62,966
<b>Total Non-Current Liabilities before member's share capital</b>		<b>1,269,369</b>	<b>1,387,925</b>
Member's interest	24	153,162	153,562
<b>Total Non-Current Liabilities</b>		<b>1,422,531</b>	<b>1,541,486</b>
<b>Total Liabilities</b>		<b>7,736,115</b>	<b>8,272,785</b>
<b>Net Assets</b>		<b>11,917,758</b>	<b>11,347,246</b>
<b>Equity</b>			
Reserves		4,832,410	4,832,410
Retained earnings		7,085,348	6,627,018
Parent interest		11,917,758	11,459,428
Non-controlling interest		–	(112,182)
<b>Total Equity</b>		<b>11,917,758</b>	<b>11,347,246</b>

The accompanying notes form part of these financial statements.

## Statement of Changes in Equity

For the year ended 30 June 2012

	Retained Earnings	General Reserve	Asset Revaluation Reserve	Non-controlling Interest	Total
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2010</b>	6,619,246	1,307,561	3,524,849	(54,086)	11,397,570
Profit (loss) for the year	7,772	-	-	(58,096)	(50,324)
Total other comprehensive income for the year	-	-	-	-	-
<b>Balance at 30 June 2011</b>	6,627,018	1,307,561	3,524,849	(112,182)	11,347,246
Profit (loss) for the year	458,330	-	-	112,182	570,512
Total other comprehensive income for the year	-	-	-	-	-
<b>Balance at 30 June 2012</b>	7,085,348	1,307,561	3,524,849	-	11,917,758

## Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 \$	2011 \$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers		18,336,420	17,538,173
Interest received		10,741	
Other Revenue		552,815	107,850
Payments to suppliers & employees		(17,535,638)	(17,524,173)
Finance costs paid		(254,074)	(281,370)
<b>Net cash provided by/(used in) operating activities</b>		<b>1,110,268</b>	<b>(159,520)</b>
<b>Cash Flow from Investing Activities</b>			
Payments for property, plant, equipment, motor vehicles and livestock		(1,261,668)	(39,679)
Payments for trademarks and investments		-	-
Proceeds from sale of properties and investments		38,159	9,274
Proceeds from sale of plant, equipment, motor vehicles and livestock		397,296	
<b>Net cash provided by/(used in) investing activities</b>		<b>(826,213)</b>	<b>(30,405)</b>
<b>Cash Flow from Financing Activities</b>			
Proceeds from sale of Intangibles		12,105	
Proceeds from share issues/(redemptions)		(397)	(1,500)
Proceeds from borrowings		(67,806)	(114,288)
Repayment of borrowings			
Loans from/(to) other parties		(245)	(581)
<b>Net cash provided by/(used in) financing activities</b>		<b>(55,743)</b>	<b>(116,369)</b>
Net increase/(decrease) in cash held		228,312	(306,294)
Cash at beginning of financial year		(352,548)	(46,254)
<b>Cash at end of financial year</b>	8	<b>(124,236)</b>	<b>(352,548)</b>

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements

For the year ended 30 June 2012

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements and notes represent those of Genetics Australia Cooperative Ltd and controlled entities (the "Group").

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

**Basis of Preparation**

Genetics Australia Cooperative Ltd and controlled entities has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements for the annual reporting period beginning 1 July 2011.

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 and the Corporations Act 2001.

Australian Accounting Standards set our 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 below and have been consistently applied unless otherwise stated.

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

**Principles of Consolidation**

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

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

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

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

**Income tax**

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

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

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

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

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

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

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

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can

be controlled and it is not probable that the reversal will occur in the foreseeable future.

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

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

**Inventories**

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

**Property, Plant, Equipment and Livestock**

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

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

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

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

**Plant and Equipment**

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

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

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

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

**Livestock**

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

**Depreciation**

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

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

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

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

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

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

# Notes to the Financial Statements

For the year ended 30 June 2012

## Leases

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

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

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

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

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

## Financial Instruments

### Initial Recognition and Measurement

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

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

### Classification and Subsequent Measurement

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

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

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

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

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

### Loans and receivables

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

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

### Held-to-maturity investments

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

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

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

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their

nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

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

### Financial liabilities

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

### Fair value

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

### Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline below cost of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

### Derecognition

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

### Impairment of Assets

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

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

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

### Intangibles

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

### Foreign Currency Transactions and Balances

#### Functional and presentation currency

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

#### Transactions and balances

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

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

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

### Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is

## Notes to the Financial Statements

For the year ended 30 June 2012

given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

**Provisions**

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

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

**Cash and Cash Equivalents**

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

**Revenue**

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

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

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

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

**Shareholder benefits**

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

**Trade and Other Payables**

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

**Borrowing Costs**

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

**Goods and Services Tax (GST)**

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

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

**Members Interest**

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

**Comparative Figures**

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

**Critical Accounting Estimates and Judgements**

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

**Key estimates****Employee Entitlements**

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

**Key judgements****Impairment**

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

The financial report was authorised for issue on 18th February 2013.

**NOTE 2: PARENT INFORMATION****Genetics Australia Co-operative information only**

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

	2012 \$	2011 \$
<b>STATEMENT OF FINANCIAL POSITION</b>		
<b>ASSETS</b>		
Current Assets	8,954,578	6,147,709
Non-Current Assets	9,829,863	11,506,154
<b>Total Assets</b>	<b>18,784,441</b>	<b>17,653,863</b>
<b>LIABILITIES</b>		
Current Liabilities	6,302,484	5,344,004
Financial Liabilities (non-current)	293,542	377,315
Members Interest	153,159	153,559
Non-Current Liabilities	109,587	143,363
<b>Total Liabilities</b>	<b>6,858,772</b>	<b>6,018,241</b>
<b>Net Assets Employed</b>	<b>11,925,669</b>	<b>11,635,622</b>
<b>EQUITY</b>		
General Reserve	1,307,561	1,307,560
Asset Valuation Reserve	3,524,849	3,524,849
Retained earnings	7,093,259	6,803,213
<b>Total Equity</b>	<b>11,925,669</b>	<b>11,635,622</b>
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Total Profit (Loss) for the year	290,047	97,927
<b>Total Comprehensive Income</b>	<b>290,047</b>	<b>97,927</b>
<b>Guarantees</b>		
Genetics Australia Cooperative Limited has acted as guarantor for 60% of the \$250,000 Bank Overdraft in the previous financial year in relation to its subsidiary Global Sires Pty Ltd. This guarantee has ceased January 2013.		
<b>Contingent Liabilities</b>		
The directors are not aware of the existence of any contingent liabilities or contingent assets that exist for Genetics Australia Cooperative Ltd as at the reporting date.		
<b>Contractual Commitments</b>		
The Directors are not aware of any contractual commitments that Genetics Australia Cooperative Ltd has for the acquisition of property, plant and equipment as at the end of the reporting period.		
<b>NOTE 3: REVENUE</b>		
	2012 \$	2011 \$
Sales Revenue		
– sale of goods	12,689,083	13,046,585
– genetic and other services	3,913,923	3,256,013
<b>Total sales revenue</b>	<b>16,603,006</b>	<b>16,302,598</b>
Other Revenue		
– interest	10,741	–
– other non-trading income	509,235	350,430
– gain on disposal of plant and equipment	35,756	–
<b>Total other revenue</b>	<b>555,732</b>	<b>350,430</b>
<b>Total sales revenue and other revenue</b>	<b>17,158,738</b>	<b>16,653,028</b>

## Notes to the Financial Statements

For the year ended 30 June 2012

<b>NOTE 4: PROFIT BEFORE INCOME TAX</b>	2012	2011
Note	\$	\$
a. Expenses:		
Cost of sales	5,136,495	5,403,410
Finance costs – External	254,074	281,370
Depreciation of non-current assets	824,875	879,690
Other Expenses from ordinary activities		
– marketing	534,856	413,350
– vehicle expenses	683,816	825,767
– breeding development	236,904	227,528
– travel & accommodation	208,652	214,054
– communication	286,466	297,448
– repairs & maintenance	138,714	131,605
– consultants	61,421	158,738
– insurance	139,885	118,990
– operating leases	226,457	181,880
– fodder and farm stores	167,434	133,136
– bull proving costs	222,916	179,205
– utilities costs	176,964	163,604
– printing/stationary/postage costs	226,941	186,116
– freight/packing/liquid nitrogen costs	173,097	134,646
– merger costs & liquidation of Global Sires	164,790	–
– other	651,721	608,852
	4,301,034	3,974,919
<b>NOTE 5: INCOME TAX BENEFIT</b>		
(a) The components of tax expense comprise:		
Current tax	–	–
Deferred tax	19,234	45,490
Under/over provision in prior year	–	(1,472)
	19,234	44,018
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prime facie tax payable on profit/(loss) from ordinary activities before income tax @ 30%	176,924	(1,692)
Add		
Tax effect of:		
– Non-deductible expenses	7,776	(42,993)
– Other assessable income	–	–
	7,776	(42,993)
Less		
Tax effect of:		
– Non-assessable income	948	–
– Other deductible expenses	–	–
– Recoupment of tax losses	164,518	–
	165,466	–
Income tax expense attributable to entity	19,234	(44,685)
(c) Tax effects relating to other comprehensive income		
Current tax	–	–
Deferred tax	–	–
<b>NOTE 6: AUDITORS' REMUNERATION</b>		
Remuneration of auditor		
– audit	37,330	41,014
– other services	18,000	18,000
Total remuneration of auditor	55,330	59,014
<b>NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION</b>		
Total of the Remuneration paid to key management personnel of the group during the year as is as follows:		
– Directors (Excluding CEO)	132,825	132,000
– Executives	875,673	1,073,441
	1,008,498	1,205,441

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

**NOTE 8: CASH AND CASH EQUIVALENTS**

	2012	2011
	\$	\$
Cash and cash equivalents	248,075	6,266
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	248,075	6,266
Bank overdraft—secured	(372,311)	(358,814)
	(124,236)	(352,548)
<b>NOTE 9: TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	3,405,004	3,696,742
Provision for impairment of receivables	(20,000)	(10,000)
	3,385,004	3,686,743
Other receivables	53,389	40,692
	3,438,393	3,727,435

**NOTE 10: INVENTORIES**

	2012	2011
Semen at net realisable value	2,434,029	2,269,799
Merchandise at net realisable value	1,073,562	1,134,535
Hay at cost	41,418	61,182
	3,549,009	3,465,516
Provision for Stock Write Offs	(187,407)	(131,390)
	3,361,602	3,334,126

**NOTE 11: OTHER ASSETS**

	2012	2011
Prepayments	107,331	88,417
	107,331	88,417

**NOTE 11A: LAND HELD FOR SALE**

	2012	2011
Property held for Sale – Woodside	1,800,000	–

**NOTE 12: FINANCIAL ASSETS**

	2012	2011
Available for sale financial assets		
Shares in other entities – at cost	5,569	27,364

**NOTE 13: CONTROLLED ENTITIES**

Controlled Entities Consolidated

Subsidiaries of Genetics Australia Cooperative Limited:

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

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

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

	2012	2011
Land and Buildings – at fair value	10,413,172	12,225,398
less accumulated depreciation	(2,035,045)	(2,032,105)
	8,378,127	10,193,293
Plant, Equipment & Motor Vehicles – at cost	7,298,270	6,999,094
less accumulated depreciation	(5,623,626)	(5,373,181)
	1,674,644	1,625,913
Total Property, Plant & Equipment	10,052,771	11,819,206
Livestock – at cost	1,481,702	1,415,632
less accumulated depreciation	(862,528)	(831,478)
	619,174	584,154

## Notes to the Financial Statements

For the year ended 30 June 2012

	Land and Buildings	Plant, Equipment & Motor Vehicles	Livestock	Total
Balance at 30th June 2011	10,193,293	1,625,913	584,154	12,403,360
Additions	46,915	929,013	285,740	1,261,668
Disposals	(2,098)	(356,099)	(10,011)	(368,208)
Depreciation expense	(59,963)	(524,183)	(240,709)	(824,855)
Revaluation	-	-	-	-
Reclassification – land held for sale	(1,800,000)	-	-	(1,800,000)
Carrying amount at 30th June 2012	8,378,127	1,674,644	619,174	10,671,945

## Asset revaluations – Land and Buildings

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

	2012 \$	2011 \$
<b>NOTE 15: INTANGIBLES</b>		
Establishment Costs	2,388	14,494
Trademarks	15,843	15,843
Customer List	2,727	2,727
	20,958	33,064

Movements of Intangibles	Establishment Costs	Trademarks	Customer List
Balance at 30th June 2011	14,494	15,843	2,727
Liquidation of Global Sires	(12,106)	-	-
Carrying amount at 30th June 2012	2,388	15,843	2,727

**NOTE 16: TRADE AND OTHER PAYABLES**

Current		
Trade payables	2,316,677	2,987,790
Sundry payables and accrued expenses	559,274	369,460
	2,875,951	3,357,250

**NOTE 17: FINANCIAL LIABILITIES**

Current		
Bank overdraft secured	-	358,814
Trade Finance Facility overdraft secured	372,311	-
Bank loan secured	2,150,000	2,150,000
Finance Loan – Hire Purchase/Chattel Mortgage	222,089	205,521
	2,744,400	2,714,335

Non-current		
Finance Loan – Hire Purchase/Chattel Mortgage	293,542	377,316
	293,542	377,316

(a) Total current and non-current secured liabilities:		
Bank overdraft	-	358,814
Trade Finance Facility overdraft secured	372,311	-
Bank loan	2,150,000	2,150,000
	2,522,311	2,508,814

(b) The carrying amounts of non-current assets pledged as security are:		
First mortgage		
– Freehold land and buildings	7,820,000	7,820,000
Hire Purchase/Chattel Mortgage		
– Motor Vehicles	515,632	582,837
	8,335,632	8,402,837

**NOTE 18: OTHER FINANCIAL LIABILITIES**

Non-current		
Debentures	100,396	100,641

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

**NOTE 19: TAX**

	2012 \$	2011 \$
a) Assets (Liabilities)		
Deferred tax assets (liabilities) comprise:		
Tax allowances relating to property, plant and equipment, motor vehicles and livestock	(1,923,004)	(1,923,400)
Provisions	210,728	201,111
Other	846,036	875,286
	(866,240)	(847,003)
b) Reconciliations		
Gross Movements		
The overall movements in the deferred tax account is as follows:		
Opening balance	(847,003)	(802,985)
Credited (charged) to the income statement	(19,237)	(44,018)
Credited (charged) to equity	-	-
Closing balance	(866,240)	(847,003)

**NOTE 20: PROVISIONS**

Current		
Annual Leave	322,671	274,944
Long Service Leave	370,562	384,770
	693,233	659,714
Non Current		
Long Service Leave	9,191	62,966
	9,191	62,966
Aggregate employee entitlements liability	702,424	722,680
Employee Benefits		
Opening balance at beginning of year	722,680	683,447
Additional provisions raised during the year	(782,409)	314,296
Amounts used	762,153	(275,063)
Balance at end of year	702,424	722,680

## Provision for Employee Benefits

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

	Full Time	Part Time	Casuals	Total
Number of Employees as at 30 June 2011	59	6	30	95
Number of Employees as at 30 June 2012	65	4	19	88

**NOTE 21: RESERVES**

Asset Revaluation Reserve  
The asset revaluation reserve records revaluations of Property

**NOTE 22: CAPITAL AND LEASING COMMITMENTS**

Operating lease commitments		
Non-cancellable property leases contracted for but not capitalised in the financial statements:		
Payable – minimum lease payments		
– not later than one year	142,465	31,164
– later than one year but not later than two years	139,996	-
– later than two years but not later than five years	33,489	-
	315,950	31,164
Non-cancellable Hire Purchase/Chattel Mortgage capitalised in the financial statements:		
Payable – minimum lease payments		
– not later than one year	255,637	232,492
– later than one year but not later than two years	248,386	228,384
– later than two years but not later than five years	82,811	188,095
– Less interest paid	(71,202)	(66,134)
	515,632	582,837

## Notes to the Financial Statements

For the year ended 30 June 2012

### NOTE 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, bills and hire purchase liabilities.

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

	Note	2012 \$	2011 \$
<b>Financial Assets:</b>			
Cash & cash equivalents	8	248,075	6,266
Receivables	9	3,438,393	3,727,435
Financial assets	12	5,569	27,364
<b>Total Financial Assets</b>		<b>3,692,037</b>	<b>3,761,065</b>
<b>Financial Liabilities:</b>			
<b>Financial liabilities at amortised cost:</b>			
– Trade & other payables	16	2,875,951	3,357,250
– Bank overdraft secured	17	372,311	358,814
– Bank bills/loans secured	17	2,665,632	2,732,837
– Debentures	18	100,396	100,641
<b>Total Financial Liabilities &amp; Debentures</b>		<b>6,014,290</b>	<b>6,549,542</b>

### NOTE 24: MEMBERS INTEREST

#### a) Movements in Share on Issue:

Opening balance – 217,034 fully paid shares	153,562	155,062
Shares issued during the year	–	–
Shares cancelled/redeemed during the year	(400)	(1,500)
<b>Closing balance – 173,134 fully paid shares</b>	<b>153,162</b>	<b>153,562</b>
<b>Number of Members</b>	<b>3,271</b>	<b>4,089</b>

Number of Shares forfeited under Part 6 of the Co-operative Act 1996 (Victoria)

–

### NOTE 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.

### NOTE 26: EVENTS AFTER THE REPORTING DATE

Since the reporting date the Directors have undertaken a process to assess the viability of a merger with Herd Improvements Co-operative Australia Limited (HICO) and consider the benefits that it would bring to our members.

We are currently seeking regulatory approval for the proposed merger before seeking approval from our shareholders.

There are no other significant events subsequent to the reporting date.

### NOTE 27: RELATED PARTY TRANSACTIONS

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

## Director's Declaration

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

1. The accompanying financial statements and notes for the financial year ended 30 June 2012 are prepared in accordance with the requirements of the *Co-operatives Act 1996*, and:
  - a. give a true and fair view of the financial position as at 30 June 2012 and of the performance of the Consolidated Group for the year ended on that date; and
  - b. comply with Accounting Standards
2. In the directors' opinion there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

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

Declared at and dated at Bacchus Marsh this 18th day of February 2013.



R K Gordon  
Director



SF Bennett  
Director



To the Members of Genetics Australia Cooperative Limited

### Report on the Financial Report

We have audited the accompanying financial report of Genetics Australia Cooperative Ltd and controlled entities, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year

### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

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

## Independent Auditor's Report

### Independence

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

### Auditor's Opinion

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

- (i) giving a true and fair view of the consolidated group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements (including Australian Accounting Interpretations).
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



Bell Partners  
Chartered Accountants



Ryan H Dummett (Partner)  
Registered Company Auditor 217647  
Level 7,468 St Kilda Road, Melbourne, VIC 3004  
Dated this 18th day of February 2013

Liability limited by a scheme approved under Professional Standards Legislation.

# Mission

*Genetics Australia is committed to the profitability of dairy farmers and the dairy industry through the development of Australian proven genetics and excellence in delivering genetics, herd recording and related herd improvement services.*

