

2014 Annual Report



Bradley Cullen

For Better Australian Herds
www.genaust.com.au

Genetocs
AUSTRALIA

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.



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 Warrnambool Cheese & Butter and former chairman of Western Herd Improvement. Craig is a member of the Audit & Risk Management Committee.



Trevor Henry

(Deputy 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 is also Chairman of the Animal Care & Welfare Committee and became Deputy Chairman in March 2013.



Jens Karnoe

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

Appointed in August 2004, Jens has over 30 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 & Risk Management Committee and is also the Company Secretary.



Simon Bennett

Dip. Ag., MAICD
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, and is the current President, joined the Dairy TAS Board in November 2013. He has completed the Australian Institute of Company Directors course.



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 and is a Rural Financial Counsellor, Dairy Specialist (Wimmera South West Region). Tony has over 25 years experience in dairyfarming and accounting and is also a Deputy Chair of the Audit & 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.



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.

Chairman's Report

On behalf of the Board of directors of Genetics Australia ("GAC"), I present the Annual report for the 2013/14 financial year. It was a positive year for the Australian Dairy industry and for your co-operative.

It is pleasing to report a positive result for GAC in what was a milestone year in an ever-changing landscape.

Most regions experienced favourable climatic conditions together with near record milk prices.

The renewed confidence again allowed Dairy farmers to invest in rebuilding and improving their dairy stock.

As I reported last year, GAC and HICO had been exploring the possibility of a merger between the two co-operatives, unfortunately the complexities of such a merger made the exercise slow and costly. In October 2013 GAC made the decision to concentrate on our core business of providing the best genetics for Australian conditions for our shareholders and dairy farmers in Australia.

The outcome was the sale and subsequent acquisition of our retail businesses, by HICO in the East and Colac, and in the West by NHD. This rationalisation of the Herd Improvement sector is a positive outcome for all concerned, and ensures there will be an analysis lab in each region.

As a result GAC is back to the foundations from which the company was built. The interim CEO, Etienne Veldhuis led the management team in refocusing GAC as a wholesale business.

There has been a very favourable response from resellers large and small as GAC re-connects as a wholesaler supplying both Australian, and International genetics, along with our merchandise products.

It is pleasing to record a modest profit in comparison to the loss recorded in 2013. During the year the following additional initiatives were achieved:

- Finalisation of new banking arrangements;
- Reduction in the expense base;
- Improvement in cash collections; and
- Streamlining of the accounting function.

These indicatives combined with the dedication of our employees resulted in the significant improvement in the results.

There were two significant Dairy industry initiatives during the year.

The first, the National Breeding Objective Task Force is an initiative of ADHIS to review Australia's breeding direction and GAC has participated along with a broad cross section of the industry. The

aim of the group was to develop relevant breeding goals to drive on farm profit. The approach was based on farmer input backed by strong scientific principles.

The resulting recommendation was to have three separate indices to replace the current APR index. GAC will, as it has in the past, adapt and enhance our breeding program to deliver high rated bulls for the three new indices.

The second initiative, formation of the Herd Improvement Industry Strategy Steering Group (HISSG), is a Dairy Australia (DA) initiative, which has brought the Herd Improvement sector together to explore ways of driving herd improvement on farm in the future.

As herds become larger, complex issues arise such as data capture, on farm milk metering and participation in herd recording, but they can be addressed through industry collaboration.

The need for a central data repository is well recognised, the industry now needs to make it happen.

GAC will continue to focus on the value of the Australian Cow, the cow that is bred to perform in Australia's unique and diverse conditions. GAC will also continue dialogue with relevant industry partners, to realign the path forward for Genomics.

GAC also continues to supply our customers with a World Wide Sires (WWS) portfolio of international bulls to complement our local product. We are committed to an ongoing alliance with WWS.

GAC has been delivering genetics suited to the Australian environment for fifty-seven years, however as I mentioned earlier, the landscape, is changing.

To remain relevant and competitive GAC must do more. The Board and staff are exploring ways to better serve our shareholders and customers.

To do that we must invest and make significant decisions which require shareholder support.

We must be in a position to act decisively, should the need arise.

To this end the Board made a request for shareholders to fully pay the call on their shares. The Board has received favourable response from shareholders who value the opportunity to continue to support and be part of GAC.

The intention is to provide meaningful benefits to our active shareholders on a regular basis through preferential offers and discounts.

To the staff, thank you for your efforts, in what was a testing time as the co-op transitioned and then refocused.

Chairman's Report *continued*

Again we have staff obtaining significant milestones, congratulations to Gerard Brislin on ten years service in February 2014, and both John Harle and Graeme Cowan achieving twenty years service in March 2014. Graeme was also awarded a meritorious award at the annual NHIA dinner at IDW in January 2014, Congratulations.

To my fellow Board members thank you again for your dedication to GAC, the value of deliberation around the Board table is immeasurable.

To Simon Bennett, thank you for your commitment over ten years as a Board member, we wish you well for the future.

Thanks also to Stuart Horsburgh our financial consultant who guided Indra and the finance team through a difficult period. Stuart joined the Board in July as our Specialist Director in finance, and now fills the role of Chairman of the GAC Audit & Risk Management Committee. I would like to thank Jens Karnoe, our other Specialist Director who filled the role as Chairman of the Audit & Risk Management Committee for the past Financial Year.

In June we said farewell to Etienne Veldhuis, our interim CEO for the past Financial Year. We thank him for his outstanding work in turning around the finances of the co-operative over the eleven months as we repositioned the co-op.

The Board were pleased to appoint Jayne Senior to lead the co-op. Jayne has a genetics and marketing background.

Jayne has focused on meeting many of our industry associates and is now implementing a sales and marketing strategy to grow our sales in both semen and merchandise.

The World appetite for Dairy products will result in the Australian Dairy industry growing to meet that demand.

GAC will continue to explore opportunities to deliver new and innovative products to our shareholders to meet that demand.

Let the future begin.



A handwritten signature in dark ink, appearing to read 'Ross Gordon'.

ROSS GORDON
– CHAIRMAN



CHRISTMAS – Best New Holstein Graduate 2014



ARB BONJOVI – Second crop success excelling in the US



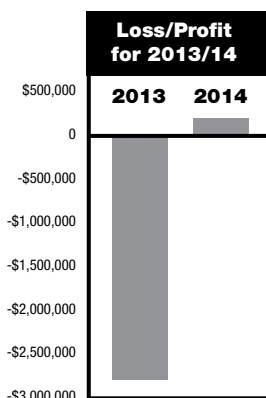
NAVARIAN – Top proven Jersey 2014

General Manager's Review

Having only recently joined Genetics Australia, I am impressed by the enormous improvement the co-operative has achieved in the 2013/14 financial year compared to the prior period. After the significant changes the organisation has undergone over the last year, it is now on sound financial ground once again, whilst holding its leading position in the Australian genetics marketplace. Supported by strong net assets, with a breadth of product portfolio covering Australian and International semen as well as value added, breeding related merchandise, the co-operative now has the opportunity to capitalise on the simplification of its business model undertaken over the past 12 months and deliver enhanced benefits to our shareholders, customers and stakeholders.

Financial Overview

Genetics Australia returned a positive Net Profit after Tax for 2013/14 of \$68,927 on Revenues of \$11,993,586. The net asset base of the co-operative remained strong and healthy at \$10,355,216, with a substantially improved Cash position of \$647,817 – a net increase of \$454,321 versus the previous financial year.



Key Business Activities

As highlighted by the Chairman, Genetics Australia sold its retail businesses in October 2013. All involved in these transactions worked hard to ensure this occurred as seamlessly as possible, with minimum disruption to the people and organisations involved. A key objective of the transition was to ensure no staff were left without a role, and this was achieved with the support of HiCo and NHD. Since this sale, we have re-aligned our sales and marketing efforts to reflect an enhanced focus on our reseller customers, as well as continuing to maintain relationships with our important end users, the farmers.

In addition to the re-structuring of the business, and re-focusing our customer approach, we continued to support and invest in our Australian breeding programme during the year. There were a number of significant new graduates in 2013/14 across the three key breeds we progeny test. In particular, the Holstein bull CHRISTMAS has captured the markets imagination and is performing exceptionally well for us. He joins an already strong lineup of sires lead by MEDALLION, whose second crop daughters are among the standout heifers in many herds. In addition, we continue to have a strategically strong portfolio of Aussie Reds and Jersey bulls. NAVARIAN is the Jersey breeds leading sire and has attracted a lot of attention both locally and abroad. The same can be said for the popular Aussie Red sire BONJOVI who leads the popularity stakes in Australia as well as being the highest rated bull on the U.S. Red Breeds list.

One of the other key aspects of the Genetics Australia business model is Merchandise. This showed encouraging growth over the prior year as we focused more on the key value adding AI related items in the range such as Estroprotect heat detection patches, FIL tail paint and CIDR and Cidrol synchronisation products.

In particular, one of our highest growth merchandise items is Moo Monitor, which with only a couple of years in the Australian market is already starting to achieve strong recognition as providing a technologically based heat detection system that more accurately identifies when cows are on heat. Genetics Australia is the sole distributor for Moo Monitor in Australia.

Other key areas of business that the organisation continued to develop during 2013/14 were Export, Beef and Sexed Semen. The co-operative, whilst remaining focused on our main business driver of selling genetics to the dairy industry, recognised the growing opportunities that these three areas offered. A significant amount of groundwork has been done on identifying the protocols required to export semen, and we continue to grow our Jersey sales into South Africa and see growing demand throughout Latin America, the USA and New Zealand. Asian countries are also presenting a great deal of opportunity and remain a key focus in the next few years. Our Beef portfolio continues to develop strongly, with bulls standing at Bacchus Marsh, as well as those imported from overseas. Finally, towards the end of year we strengthened our commitment to the Sexed Semen market, with an emphasis on offering fresh Sexed Semen to respond to the increasing demands from customers for this product.

Future Opportunities

Looking back at the first few months of this year, we are very pleased to see the progress Genetics Australia continues to make building on the re-structure and we are encouraged with the response we are seeing from all our customers, shareholders and stakeholders to the changes we have made to the organisation.

Since the internal re-structure, our key strategic initiatives this financial year will be focused externally, around sales and marketing. To this end we are planning to increase our on farm engagement to more widely promote our product with farmers, whilst still maintaining and supporting the re-seller sales model that is our future. In addition, we will seek to utilise other forms of communication to enhance and supplement our direct selling and in person promotional efforts.

Other areas of special attention for our sales and marketing efforts this year are our Shareholders and Progeny Test supporters. We know that we need to re-engage with the former in a more active way now we have finished the Share Call, and as referenced by Ross Gordon intend to provide exclusive offers to our Shareholders. In addition, we plan to invite our Shareholders to provide feedback and suggestions we can use to guide our re-engagement programme. With regards to Progeny Test Collaborators, we know there is a

General Manager's Review *continued*

strong correlation between being a shareholder of Genetics Australia and being a Progeny Test supporter. We see this as a valuable relationship and plan to foster and grow this aspect of our business, to secure our proven model ongoing, which we are committed to.

Our merchandise range will continue to be key to offering added value to our customers, but with a smaller more targeted range for the AI market. There is a new Moo Monitor Plus product available, that has just been launched, which has enhancements and new features designed to track not only cows on heat, but identify potential health issues also. This will be offered alongside, but at a premium price to the standard Moo Monitor product for those who want the additional benefits.

Healthier cows pregnant earlier in the grazing season!
The latest in health and fertility monitoring
MooMonitor +

We intend to review our breeding strategy and identify how we can best position our bull team ahead of the introduction of the three new indices to be introduced by ADHIS in April 2015. This, together with a continued focus on the use of Genomics to help identify the future MEDALLION'S of tomorrow, will help secure the ongoing commercially viable success of our Proven bull programme. In relation to the latter, we are already working closely with relevant industry bodies including Dairy Australia, ADHIS and the Dairy Futures CRC.

Building on our experience of exporting to date, we will continue to develop more overseas markets for our Australian proven semen, which we know has a role to play in many countries looking for pasture based genetics. Our plans to increase our sales of Beef genetics are underpinned by both a strong portfolio of imported semen, but also by targeting the Toll market, and increasing utilisation of our collection centre at Bacchus Marsh.

A Stronger, Secure Genetics Australia

Whilst Genetics Australia is in a far healthier position than at the end of the prior financial year, there is still a significant amount of work to be done in continuing to review opportunities for savings, efficiencies and productivity. Most critically though, in addition to looking internally for better ways of doing things, we need to focus our efforts externally on our shareholders, customers and stakeholders. This is where we will best able to leverage our Mission "For Better Australian Herds", and key reason for existence, in helping to improve Australian herds with our range of products across all areas.

There has been an enormous amount of work that has been done over the last financial year to re-structure Genetics Australia onto a sounder financial footing; this would not have been possible without significant effort and passion for improvement that our employees have demonstrated. In addition, the confidence our shareholders, customers and stakeholders have placed in us as we transitioned to a new, simplified business model has been immensely encouraging. I am confident that we can continue the work done to date, and reward the faith put in us, by delivering an even stronger Genetics Australia in the coming year.



JAYNE SENIOR
– GENERAL MANAGER



BARTEL E7 - One of Australia's leading calving ease and carcass merit Angus sires.

Directors' Report

Your Directors present their report, together with the audited financial report of the consolidated Group for the financial year ended 30th June, 2014.

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

Ross Gordon (Chairman)
Trevor Henry (Deputy Chairman)
Simon Bennett (Resigned 28th November, 2013 but appointed 22nd January, 2014 to casual vacancy)
Wesley Brown
Craig Drake
Jens Karnoe
Daryl Hoey (Resigned 22nd July, 2013)
Anthony Doyle (Appointed 28th November, 2013)
Stuart Horsburgh (Appointed 1st July, 2014)

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

Review of operations

The consolidated net profit of the Consolidated Group after providing income tax amounted to \$68,927 (2013: loss \$1,955,075)

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

Significant Changes in state of affairs

During the year, two subsidiaries, including Genetics Australia Pty Ltd and Gene Express Pty Ltd, were both deregistered on 15 December 2013. In addition, on 5 October 2013 the co-operative executed a contract to sell its retail and services business conducted from locations at Maffra, Leongatha and Warragul to Herd Improvement Co-operative. Completion occurred on 15 October 2013. On 13 October 2013 the co-operative executed a contract to sell the retail and services business conducted from locations at Warrnambool, Timboon and Terang to Northern Herd Development Co Operative. Completion occurred on 31 October 2013.

Principal activities

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, Meat and livestock Farmers.

Events Subsequent to the End of the Reporting Period

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

Likely Developments and Expected Results of Operations

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.

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.

Dividends

No dividend has been recommended in respect of the financial year ended 30 June 2014 (2013: nil).

Options

There were no options granted over unissued shares or interest during or since the financial period by the Company or controlled entities to Directors.

Indemnifying Officers

Rule 63 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.

Proceedings on behalf of the Company

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.

Auditor's Independence Declaration

The lead auditor's independence declaration for the financial year ended 30 June 2014 has been received and can be found on page 6.

This directors' report is signed in accordance with a resolution of directors.

On behalf of the Directors



Ross Gordon, Chairman



Trevor Henry, Deputy Chairman

Bacchus Marsh 20th day of October, 2014

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
R Gordon	11	9
T Henry	11	8
S Bennett	11	11
W Brown	11	11
C Drake	11	11
D Hoey	1	1
J Karnoe	11	11
A Doyle	7	7

Audit & Risk Management Meetings

Director	Eligible to Attend	Attended
R Gordon	-	-
T Henry	5	3
S Bennett	-	-
W Brown	-	-
C Drake	11	11
D Hoey	-	-
J Karnoe	11	11
A Doyle	6	6

Auditor's Declaration



In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Genetics Australia Co-operative Limited.

As lead audit partner for the audit of the financial statements of Genetics Australia Co-operative Limited for the year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

1. The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. Any applicable code of professional conduct in relation to the audit.

ShineWing Hall Chadwick

ShineWing Hall Chadwick

M. J. Schofield

M J Schofield (Partner)
Registered Company Auditor 293528
Dated this 20th day of October 2014
Level 1, CITIC House, 99 King Street, Melbourne, VIC, 3000

Liability limited by a scheme approved under Professional Standards Legislation.



Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Continuing operations			
Revenue	3	11,993,586	14,466,526
Other income	3	23,266	90,785
Changes in inventories of finished goods		(384,394)	(1,047,676)
Semen and Merchandise Used		(4,326,155)	(3,725,975)
Stock writedown		(17,542)	(1,278,421)
Employee benefits expense		(3,488,999)	(5,690,601)
Depreciation and amortisation expense	15	(578,408)	(749,937)
Finance costs		(217,725)	(267,826)
Shareholder benefits		(11,837)	(33,072)
Other expenses		<u>(2,931,694)</u>	<u>(4,622,781)</u>
Profit/(Loss) before Income Tax	4	60,098	(2,858,978)
Income tax (expense) / benefit	5	<u>(20,204)</u>	<u>903,903</u>
Net Profit/(Loss) from continuing operations		39,894	(1,955,075)
Discontinued operations			
Profit/(Loss) from discontinued operations after tax	12	<u>29,033</u>	<u>-</u>
Net Profit/(Loss) for the year	4	68,927	(1,955,075)
Other Comprehensive Income			
Other Comprehensive Income for the year		<u>-</u>	<u>441,521</u>
Total Comprehensive Profit/(Loss) for the year		<u>68,927</u>	<u>(1,513,554)</u>
Total Comprehensive Profit/(Loss) attributable to: Members of the parent entity		<u>68,927</u> <u>68,927</u>	<u>(1,513,554)</u> <u>(1,513,554)</u>

Statement of Financial Position

as at 30 June 2014

	Note	2014 \$	2013 \$
Current Assets			
Cash and cash equivalents	8	647,817	193,496
Trade and other receivables	9	2,020,262	2,602,886
Inventories	10	1,929,532	2,313,926
Other assets	11	106,067	244,926
Non-current assets held for sale	12	-	659,857
Total Current Assets		4,703,678	6,015,091
Non-Current Assets			
Financial assets	13	20	20
Property	15	10,039,882	10,085,000
Plant & equipment, and motor vehicles	15	661,336	1,420,427
Livestock	15	706,353	663,459
Intangibles	16	15,843	15,843
Total Non-Current Assets		11,423,434	12,184,749
Total Assets		16,127,112	18,199,840
Current Liabilities			
Trade and other payables	17	2,060,504	3,342,380
Financial Liabilities	18	88,731	3,137,721
Provisions	21	415,956	639,158
Total Current Liabilities		2,565,191	7,119,259
Non-Current Liabilities			
Financial Liabilities	18	2,608,811	232,684
Other Financial Liabilities	19	97,834	98,257
Deferred tax liabilities	20	329,440	159,871
Provisions	21	4,297	25,991
Total Non-Current Liabilities before member's share capital		3,040,382	516,803
Member's interest	25	166,323	151,258
Total Non-Current Liabilities		3,206,705	668,061
Total Liabilities		5,771,896	7,787,320
Net Assets		10,355,216	10,412,520
Equity			
Reserves		5,211,847	5,293,323
Retained earnings		5,143,369	5,119,197
Total Equity		10,355,216	10,412,520

Statement of Changes in Equity

for the year ended 30 June 2014

	Retained Earnings	General Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
Balance at 1 July 2012	7,074,272	1,307,561	3,544,241	11,926,074
Loss for the year	(1,955,075)	-	-	(1,955,075)
Total other comprehensive income for the year	-	-	441,521	441,521
Balance at 30 June 2013	<u>5,119,197</u>	<u>1,307,561</u>	<u>3,985,762</u>	<u>10,412,520</u>
Profit for the year	68,927	-	-	68,927
Deregistration of subsidiaries	10,691	-	-	10,691
Transfer to retained earnings upon disposal of freehold property	81,476	-	(81,476)	-
Deferred tax relating to disposal of freehold property	(136,922)	-	-	(136,922)
Balance at 30 June 2014	<u>5,143,369</u>	<u>1,307,561</u>	<u>3,904,286</u>	<u>10,355,216</u>

Statement of Cash Flows

for the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash Flow from Operating Activities			
Receipts from customers		12,564,373	16,631,735
Other Revenue		-	745
Payments to suppliers and employees		(11,867,331)	(16,378,330)
Finance costs paid		(217,725)	(267,826)
Net cash provided by/(used in) operating activities		<u>479,317</u>	<u>(13,676)</u>
Cash Flow from Investing Activities			
Payments for property, plant, equipment, motor vehicles and livestock		(397,762)	(547,604)
Payments for non-current assets held for sale		-	(17,354)
Proceeds from sale of non-current assets held for sale		659,857	-
Proceeds from sale of property, plant, equipment, motor vehicles and livestock		64,630	195,635
Proceed on disposal of retail business		155,934	-
Net cash provided by/(used in) investing activities		<u>482,659</u>	<u>(369,323)</u>
Cash Flow from Financing Activities			
Proceeds from share issues		15,695	-
Payment for share cancellation/redemption		(630)	-
Net (repayment)/proceeds of borrowings		(2,993,740)	332,464
Payment of finance lease liabilities		2,471,020	-
Loans (to) other parties		-	(4,044)
Net cash (used in)/provided by financing activities		<u>(507,655)</u>	<u>328,420</u>
Net increase/(decrease) in cash held		454,321	(54,579)
Cash at beginning of financial year		193,496	248,075
Cash at end of financial year	8	<u>647,817</u>	<u>193,496</u>

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies

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

The separate financial statements of the parent entity, Genetics Australia Cooperative Limited, have not been presented within 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 Limited 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 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 below and have been consistently applied unless otherwise stated.

The financial statements, except for the cashflow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amount presented in the financial statements have been rounded to the nearest dollar.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of the parent (Genetics Australia Cooperative Limited) and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 14.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as "non-controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

b) 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.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (Continued)

b) Income Tax (Continued)

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

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

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

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

c) Inventories

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.

d) Property, Plant and Equipment

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.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (Continued)

d) Property, Plant and Equipment (Continued)

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 1(g) 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 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 rates
Buildings	2.5-20%
Plant and equipment	4-27%
Leased plant and equipment	4-27%
Livestock	20%

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

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

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

e) 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 entities in the consolidated 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.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (Continued)

e) Leases (Continued)

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.

f) 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 Consolidated 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (Continued)

f) Financial Instruments (Continued)

(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.

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (Continued)

f) Financial Instruments (Continued)

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.

g) 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 or 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 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.

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

h) Intangible Other than Goodwill

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

i) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Consolidated Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Parent Entity'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.

j) 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 2014

1. Summary of significant accounting policies (Continued)

k) 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.

l) 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 short-term borrowings in current liabilities on the consolidated statement of financial position.

m) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebated allowed.

Revenue from the sale of goods, including semen, insemination equipments 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.

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

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

n) Trade and Other Receivables

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 recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1 (f) for further discussion on the determination of impairment losses.

o) Trade and Other Payables

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 60 days of recognition of the liability.

p) Borrowing Costs

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

q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

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

Notes to the Financial Statements

for the year ended 30 June 2014

1. Summary of significant accounting policies (Continued)

r) 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-operative National Law Application Act 2013 and the Rules of the Co-operative.

s) 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.

t) New and Amended Accounting Policies Adopted by the Group

During the financial year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. The adoption of these Accounting Standards and Interpretations has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

u) New Accounting Standards for Application in Future Periods

Reference and Title	Details of New Standard/Amendment/Interpretation	Impact on Group	Application date for the Group
AASB 9	<p>AASB 9 :Financial Instruments (December 2010) and associated Amending Standards (applicable for annual reporting periods commencing on or after 1 January 2017).</p> <p>These Standards will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and include revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.</p> <p>The key changes that may affect the Group on initial application of AASB 9 and associated Amending Standards include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.</p> <p>AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective.</p>	<p>Although the directors anticipate that the adoption of AASB 9 may have an impact on the company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.</p>	1-Jan-17

v) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report 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 Consolidated Group.

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 judgments

(i) 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 20th October, 2014.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 2 : Parent Information

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

	2014 \$	2013 \$
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	4,703,678	6,025,620
Non-Current Assets	11,423,434	12,184,761
Total Assets	<u>16,127,112</u>	<u>18,210,381</u>
LIABILITIES		
Current Liabilities	2,565,191	7,119,110
Non-Current Liabilities	3,040,382	516,802
Members Interest	166,323	151,258
Total Liabilities	<u>5,771,896</u>	<u>7,787,170</u>
Net Assets Employed	<u>10,355,216</u>	<u>10,423,211</u>
EQUITY		
General Reserve	1,307,561	1,307,561
Asset Revaluation Reserve	3,904,286	3,985,762
Retained earnings	5,143,369	5,129,888
Total Equity	<u>10,355,216</u>	<u>10,423,211</u>
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total Profit (Loss) for the year	<u>68,927</u>	<u>(1,952,291)</u>
Total Comprehensive Income	<u>68,927</u>	<u>(1,510,770)</u>

Guarantees

As at 30 June 2014 Genetics Australia Cooperative Limited did not provide any guarantees.

Contingent Liabilities

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

Contractual Commitments

The Directors are not aware of any contractual commitments that Genetics Australia Cooperative Limited has for the acquisition of property, plant and equipment as at the end of the reporting period.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 3 : Revenue

a. Revenue from continuing operations

	Note	2014 \$	2013 \$
Sales Revenue			
sale of goods		10,360,225	11,669,199
genetic and other services		1,633,361	2,797,327
Total sales revenue		<u>11,993,586</u>	<u>14,466,526</u>
Other Income			
interest		-	745
gain on disposal of plant and equipment		23,266	90,040
Total other income		<u>23,266</u>	<u>90,785</u>
Total sales revenue and other income		<u>12,016,852</u>	<u>14,557,311</u>
b. Total revenue and other income from continuing operations			
attributable to members of the parent entity		12,016,852	14,557,311
attributable to non-controlling interests		-	-
		<u>12,016,852</u>	<u>14,557,311</u>
c. Income from continued operations and discontinued operations			
attributable to members of the parent entity		12,016,852	14,557,311
attributable to non-controlling interests		-	-
		<u>12,016,852</u>	<u>14,557,311</u>

Note 4 : Profit/(Loss) before Income Tax

Profit/(Loss) before income tax from continuing operations includes the following specific expenses:

a. Expenses:

Cost of sales		4,326,155	3,725,975
Finance costs - External		217,725	267,826
Depreciation of non-current assets	15	578,408	749,937

b. Significant Revenue and Expenses:

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

Net gain/(loss) on the disposal of retail and services business		41,488	-
Net (loss)/gain on the deregistration of Genetics Australia Pty Ltd and Gene Express Pty Ltd		(12)	-
	12	<u>41,476</u>	<u>-</u>

Notes to the Financial Statements

for the year ended 30 June 2014

Note 5 : Income Tax Expense (Benefit)

(a) The components of tax expense (benefit) comprise:

Current tax	-	-
Deferred tax	20,204	(903,903)
	<u>20,204</u>	<u>(903,903)</u>

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

Prime facie tax expense (benefit) on profit/(loss) from ordinary activities before income tax @ 30%	18,033	(857,693)
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Add		
Tax effect of:		
-Non-deductible expenses	2,171	7,643
-Other assessable income	-	-
	<u>2,171</u>	<u>7,643</u>

Less		
Tax effect of:		
-Adjustment to cost base of land and buildings	-	53,852
	<u>-</u>	<u>53,852</u>

Income tax expense/(benefit) attributable to entity	<u>20,204</u>	<u>(903,903)</u>
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(c) Tax effects relating to other comprehensive income

Current tax	-	-
Deferred tax	-	189,224

Note 6 : Auditors' Remuneration

Remuneration of auditor

-audit for the year ended 30 June	20,000	30,000
-interim audit for the period ended 28 February 2013	-	34,500
-other services	-	60,407

Total remuneration of auditor	<u>20,000</u>	<u>124,907</u>
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Notes to the Financial Statements

for the year ended 30 June 2014

Note 7 : Key Management Personnel Compensation

Total of the Remuneration paid to key management personnel of the group during the year as is as follows:

	2014 \$	2013 \$
-Directors	136,169	158,597
-Executives	411,170	597,067
	<u>547,339</u>	<u>755,664</u>

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

Cash at bank and on hand

647,817	<u>193,496</u>
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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	647,817	193,496
Cash and cash equivalents	<u>647,817</u>	<u>193,496</u>

Genetics Australia Co-Operative Limited has a fully undrawn bank overdraft facility of \$500,000 at 30 June 2014.

Note 9 : Trade and Other Receivables

Trade receivables	2,027,571	2,643,613
Provision for impairment of receivables	(54,682)	(60,666)
	<u>1,972,889</u>	<u>2,582,947</u>
Other receivables	47,373	19,939
	<u>2,020,262</u>	<u>2,602,886</u>

Note 10 : Inventories

Semen at net realisable value	1,311,593	2,306,790
Merchandise at net realisable value	617,939	965,139
	<u>1,929,532</u>	<u>3,271,929</u>
Provision for Stock Write Offs	-	(958,003)
	<u>1,929,532</u>	<u>2,313,926</u>

Note 11 : Other Assets

Prepayments	106,067	244,926
	<u>106,067</u>	<u>244,926</u>

Notes to the Financial Statements

for the year ended 30 June 2014

Note 12 : Non-current assets held for sale and Discontinued operations

a. Non-current assets held for sale

Property held for sale

	2014 \$	2013 \$
Property held for sale	-	659,857

On 12 July 2013, the property held for sale was settled for its book value.

b. Discontinued operations

The deregistration application for Genetics Australia Pty Ltd and Gene Express Pty Ltd were both approved on 15 December 2013 by Australian Securities & Investments Commission. These two entities were deregistered on 15 December 2013. In addition, on 5 October 2013 the co-operative executed a contract to sell its retail and services business conducted from locations at Maffra, Leongatha and Warragul to Herd Improvement Co-operative. Completion occurred on 15 October 2013. On 13 October 2013 the co-operative executed a contract to sell the retail business conducted from locations at Warrnambool, Timboon and Terang to Northern Herd Development Co-operative. Completion occurred on 31 October 2013.

The financial performance of the discontinued operation to the date of deregistration and sale, which is included in profit from discontinued operations per the statement of comprehensive income, is as follows:

Profit on deregistration and disposal of retail business before income tax	41,476	-
Income tax expense	(12,443)	-
Profit on deregistration and sale after income tax	29,033	-
Total profit/(loss) after tax attributable to the discontinued operation	29,033	-

Note 13 : Financial Assets

Available for sale financial assets

Shares in other entities-at cost

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

Note 14 : Controlled Entities

Controlled Entities Consolidated

Subsidiaries of Genetics Australia Co-operative Limited:

	COUNTRY OF INCORPORATION	PERCENTAGE OF OWNERSHIP *	
		2014	2013
Genetics Australia Pty Ltd	AUSTRALIA	0%	100%
Gene Express Pty Ltd	AUSTRALIA	0%	100%

* Percentage of Ownership is based on Percentage of voting power.

During the 2014 financial year, Genetics Australia Pty Ltd and Gene Express Pty Ltd were both deregistered.

Notes to the Financial Statements

for the year ended 30 June 2014

Note 15 : Property, Plant & Equipment, Motor Vehicles and Livestock

	2014 \$	2013 \$
Land and Buildings - at fair value	12,167,828	12,192,075
less accumulated depreciation	<u>(2,127,946)</u>	<u>(2,107,075)</u>
Total Land and Buildings	<u>10,039,882</u>	<u>10,085,000</u>
Plant, Equipment & Motor Vehicles - at cost	4,393,142	7,250,385
less accumulated depreciation	<u>(3,731,806)</u>	<u>(5,829,958)</u>
Total Plant, Equipment & Motor Vehicles	<u>661,336</u>	<u>1,420,427</u>
Total Property, Plant & Equipment	<u>10,701,218</u>	<u>11,505,427</u>
Livestock - at cost	1,308,238	1,345,140
less accumulated depreciation	<u>(601,885)</u>	<u>(681,681)</u>
Total Livestock	<u>706,353</u>	<u>663,459</u>
Total	<u>11,407,571</u>	<u>12,168,886</u>

	Land and Buildings	Plant, Equipment & Motor Vehicle	Livestock	Total
Balance at 30th June 2013	10,085,000	1,420,427	663,459	12,168,886
Additions	-	127,237	270,525	397,762
Disposals - written-down value	(2,870)	(551,185)	(26,614)	(580,669)
Depreciation expense	(42,248)	(335,143)	(201,017)	(578,408)
Carrying amount at 30th June 2014	<u>10,039,882</u>	<u>661,336</u>	<u>706,353</u>	<u>11,407,571</u>

Note 16 : Intangibles

	2014 \$	2013 \$	
Trademarks	15,843	15,843	
	<u>15,843</u>	<u>15,843</u>	
Movements of Intangibles		Trademarks	Total
Balance at 30th June 2013		15,843	15,843
Carrying amount at 30th June 2014		<u>15,843</u>	<u>15,843</u>

Note 17 : Trade and Other Payables

	2014 \$	2013 \$
Current		
Trade payables	1,744,533	2,399,034
Sundry payables and accrued expenses	<u>315,971</u>	<u>943,346</u>
	<u>2,060,504</u>	<u>3,342,380</u>

Notes to the Financial Statements

for the year ended 30 June 2014

Note 18 : Financial Liabilities

	2014 \$	2013 \$
Current		
Trade Finance Facility - secured	-	843,740
Bank loan secured	-	2,150,000
Finance Loan - Hire Purchase/Chattel Mortgage	88,731	143,981
	88,731	3,137,721
Non-current		
Bank loan secured	2,500,000	-
Finance Loan - Hire Purchase/Chattel Mortgage	108,811	232,684
	2,608,811	232,684
(a) Total current and non-current secured liabilities:		
Trade Finance Facility - secured	-	843,740
Bank loan	2,500,000	2,150,000
Hire Purchase/Chattel Mortgage	197,542	376,665
	2,697,542	3,370,405
(b) The carrying amounts of non-current assets pledged as security are:		
<u>First mortgage</u>		
- Freehold land and buildings	7,260,000	7,260,000
<u>Hire Purchase/Chattel Mortgage</u>		
- Motor Vehicles	130,303	328,471
	7,390,303	7,588,471

The bank loan expires in the 2018 financial year. Genetics Australia Co-operative Limited has met their bank covenants during the reporting period and up to date of signing of the financial statements. Genetics Australia Co-operative Limited is not required to repay any of the bank loan within 12 months of the reporting date.

Note 19 : Other Financial Liabilities

Non-current		
Debentures	97,834	98,257

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

Notes to the Financial Statements

for the year ended 30 June 2014

Note 20 : Tax

	2014 \$	2013 \$
a) Assets (Liabilities)		
Deferred tax assets (liabilities) comprise:		
Tax allowances relating to		
Property, plant and equipment, motor vehicles and livestock	(2,065,895)	(2,066,290)
Provisions	126,076	199,545
Income tax losses	1,556,150	1,346,423
Other	54,229	360,451
	<u>(329,440)</u>	<u>(159,871)</u>
b) Reconciliations		
Gross Movements		
The overall movements in the deferred tax account is as follows:		
Opening balance	(159,871)	(874,550)
Credited (charged) to the income statement	(32,647)	903,903
Credited (charged) to equity	<u>(136,922)</u>	<u>(189,224)</u>
Closing balance	<u>(329,440)</u>	<u>(159,871)</u>
Note 21 : Provisions		
Current		
Annual Leave	126,918	243,604
Long Service Leave	289,038	395,554
	<u>415,956</u>	<u>639,158</u>
Non Current		
Long Service Leave	4,297	25,991
	<u>4,297</u>	<u>25,991</u>
Aggregate employee entitlements liability	<u>420,253</u>	<u>665,149</u>
Employee Benefits		
Opening balance at beginning of year	665,149	702,424
Amounts used	(484,410)	(421,585)
Additional provisions raised during the year	239,514	384,310
Balance at end of year	<u>420,253</u>	<u>665,149</u>

Provision for Employee Benefits

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

Note 22 : Reserves

General Reserve

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

Asset Revaluation Reserve

The asset revaluation reserve records revaluations of Property.

Notes to the Financial Statements

for the year ended 30 June 2014

Note	2014 \$	2013 \$
Note 23 : 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	-	93,524
- later than one year but not later than two years	-	23,264
- later than two years but not later than five years	-	7,588
	<u>-</u>	<u>124,376</u>

As Genetics Australia Co-operative Limited has closed its branches during the financial year 2013-2014, there was no operating leases payable in the future period.

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

Payable - minimum lease payments		
- not later than one year	102,131	171,601
- later than one year but not later than two years	83,726	120,098
- later than two years but not later than five years	32,589	136,192
- Less interest paid	(20,904)	(51,225)
	<u>197,542</u>	<u>376,666</u>

Note 24 : 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:

Financial Assets:			
Cash & cash equivalents	8	647,817	193,496
Receivables	9	2,020,262	2,602,886
Financial assets	13	20	20
Total Financial Assets		<u>2,668,099</u>	<u>2,796,402</u>
Financial Liabilities:			
Financial liabilities at amortised cost:			
- Trade & other payables	17	2,060,504	3,342,380
- Trade Finance Facility - secured	18	-	843,740
- Bank loans - secured	18	2,500,000	2,150,000
- Debentures	19	97,834	98,257
Total Financial Liabilities & Debentures		<u>4,658,338</u>	<u>6,434,377</u>

Notes to the Financial Statements

for the year ended 30 June 2014

Note 25 : Members Interest

a) Movements in Share on Issue:

Opening balance - 121,147 partly paid shares

Shares issued during the year

Shares cancelled/redeemed during the year

Closing balance - 123,747 partly paid shares

Number of Members

Number of Shares forfeited under Part 2 of the Co-operative National Law Application Act 2013

	2014 \$	2013 \$
Opening balance - 121,147 partly paid shares	151,258	153,162
Shares issued during the year	15,695	36
Shares cancelled/redeemed during the year	(630)	(1,940)
Closing balance - 123,747 partly paid shares	166,323	151,258
Number of Members	2,363	2,313
Number of Shares forfeited under Part 2 of the Co-operative National Law Application Act 2013	-	-

Note 26 : 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 27 : Events after the reporting date

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

Note 28 : Related Party Transactions

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

Directors' Declaration

The Directors of the Company declare that:

- The consolidated financial statements and notes set out on pages 7 to 27 are in accordance with the Cooperative National Law Act 2013 and the Coporation Act 2001 and:
 - comply with Accounting Standards - Reduced Disclosure Requirements; and
 - give a true and fair view of the financial position as at 30 June 2014 and of the performance of the Consolidated Group for the year ended on that date.
- In the Directors' opinion there are reasonable grounds to believe that the Company 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.



Director

Director

Dated this 20th day of October 2014

Audit Report *for the year ended 30 June 2014*



ShineWing
Hall Chadwick
Corporate Advisors &
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Independent Auditor's Report To The Members of Genetics Australia Co-operative Limited

We have audited the accompanying financial report of Genetics Australia Co-operative Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors declaration of the consolidated entity comprising the entity and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 7 to 27.

Directors' Responsibility for the Financial Report

The Directors of the Co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, *Co-operative National Law Application Act 2013* and the *Corporations Act 2001* and for such internal control as directors determines 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Shinewing Hall Chadwick

ShineWing Hall Chadwick

M. J. Schofield

M J Schofield
Partner

Melbourne: 20 October 2014

Notes



Genetics Australia Co-operative Limited and Controlled Entities

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Directors as at 20 October 2014

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Trevor Henry (Deputy Chairman) Maffra, Vic.
Simon Bennett Dip. Ag., MAICD. Elizabeth Town, Tas.
Wesley Brown Tamworth, NSW
Craig Drake Dip. Ag. Sci., Dip. Farm Man., FAICD Dip Allansford, Vic.
Jens Karnoe MBus (Mktg), FAMI, CPM, FAICD East Malvern, Vic.
Anthony Doyle Bbus. Wallacedale, Vic.
Stuart Horsburgh B. Comm, CA Mt. Waverley, Vic.