

Genetics Australia Cooperative Limited  
**2014-2015 ANNUAL REPORT**



# DIRECTORS



## 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.



## 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.



## 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.



## 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  
Wesley 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.



## 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.



## Thomas Lawson

BAgrSci. (NZ)  
Yea, Vic.

Thomas was appointed to the Board in November 2014 to fill a casual vacancy. He holds a Bachelor Degree in Agricultural Science (NZ). Currently Managing Director of Paringa Livestock Genetics, he has extensive animal breeding experience. Co-founder of Lawson's Angus, and overseas work experience in dairy and beef operations in NZ, South America and USA.

# CHAIRMAN'S REPORT

**On behalf of the Board of Genetics Australia, I am pleased to present this report to you for the 2014-2015 year. The Dairy industry year again began with trepidation. After solid demand from China and other importers, the signals of over supply quickly softened milk prices to our shareholders.**

From \$7.00 milk solids the prior year, the opening price fell to \$6.00 milk solids, and there it remained. The erosion of confidence ultimately results in less investment in genetic improvement.

As a result of the National Breeding Objective Taskforce the ADHIS released three new Breeding initiatives in April. The Balanced Performance Index (BPI), the Type Weighted Index (TWI) and the Health Weighted Index (HWI) were a result of industry consultation to better reflect farmers breeding objectives that suit our Australian conditions. Genetics Australia's World Class bulls in Holstein, Jersey and Aussie Red all feature strongly at the top of these three indices.

To our progeny test participants, thank you for your commitment to Genetics Australia, we are committed to a continuing relationship into the future and providing greater benefits to those that support progeny testing.

The Bull breeders also are an integral part of Genetics Australia's success. To select a team each year, 400 plus bulls are genomically tested, each bull contributes to greater genetic gain into the future.

Peter Thurn works closely with these Bull Breeders to explore potential graduates for the three indices.

Genetics Australia continue to forge strong relationships with Dairy Australia, ADHIS, Jersey Australia, Holstein Australia and NHIA, of which Jayne Senior is now a Director, congratulations Jayne on your election.

In February we welcomed Tony Phillips as company secretary to Genetics Australia. My thanks to Jens Karnoe for his diligence over the last two years as company secretary.

During the year the Board has worked through a process to update the Shareholder register, whilst now reflecting the number of active shareholders, this process will continue as new entrants to the industry come on board, whilst others retire.

On behalf of the Board my thanks to Karen Davies and Jens Karnoe and then Tony Phillips for their efforts in working through the process in a timely manner to maximise the outcome for all concerned.

In the latter part of the year work was commenced on the updating the rules of the co-op. Thank you to Tony Phillips, Jayne and the Board for the time and effort to formulate the rules, we now present to our shareholders.

The Audit and Risk Management committee led by Stuart Horsburgh have been active in updating and implementing key action plans to minimise risk and produce clear pathways and procedures.

On behalf of the Genetics Australia Board I thank our General Manager Jayne Senior and her executive team for their efforts throughout the year. Together with Indra and her finance / administration team, Brendan Valence and the farm staff, Graeme Cowan and the Supply Chain team together with the Sales team and particularly to Karen Davies in administration who is a great help to the Chair and the Board.

The staff are Genetics Australia, thank you one and all for your efforts throughout the year.

To my fellow Board members, my thanks for your dedication to the role. Your commitment in time and diligence to the challenges that inevitably arise is appreciated.

The Board together with Management continue to search for opportunities and innovative products to service our shareholder's needs now and into the future.

Finally, thank you to all those that have supported Genetics Australia throughout the year, your investment will bring results as the opportunities in the Dairy industry materialise into the future.



**ROSS GORDON  
CHAIRMAN**



RACEWAY - No.1 BPI Proven Jersey Sire, April 2015.



GOLDCREST - No.1 HWI Proven Holstein Sire, April 2015.

# GENERAL MANAGER'S REVIEW

**After a full financial year at Genetics Australia, I am very pleased that we have again declared a positive result. In its first full year without the retail businesses, the co-operative has maintained the majority of prior year sales, even without the revenue from services that were included in some of the 2013/14 financial year.**

Genetics Australia returned a positive Net Profit after Tax for 2014/15 of \$19,663 on Revenues of \$10,862,665. Whilst this profit result was down vs. 2013/14, this was achieved even after a stock write down of \$525,449.

The latter write down contributed significantly to a reduction in the total inventory holdings for the business, which was down from \$1,929,532 the prior year, to \$1,306,655 in 2014/15.

The net asset base of the co-operative remained strong and healthy at \$10,374,879, with a positive cash position of \$207,113 which was achieved after debt repayment of \$500,000.

## KEY BUSINESS ACTIVITIES

The simplification of the organisation we undertook a couple of years ago has delivered a greater clarity of direction for the business. We are now clearly focused on establishing our position as the leading source of World Class Australian-bred and proven genetics, as well as high quality imported genetics, supported by breeding related merchandise and associated services.

Especially pleasing was the growth we achieved across our key re-seller customer base, led by our sales manager, Anthony Shelly, whilst the field team continued to maintain relationships with our ultimate end users the farmers, and in particular our members.

Servicing our customer's needs, including delivery of product on time as required, has been a key commitment by the business. Our customer service and supply chain function, led by Graeme Cowan, has at times pulled out "all the stops", to ensure product has reached its destination when needed. This area has also played a critical part in managing delivery of fresh sexed semen, sales of which have grown markedly over the last year.

Our sales and marketing activity in the last year has concentrated on re-building our presence in the industry as a leading supplier of high quality sires to the Australian industry. We have increased our sales and marketing resource and undertook research to determine how best to target new and existing customers.

### *Domestic Sires:*

In last year's Annual Report, we highlighted the growing strength of, and investment in, our Australian breeding programme, managed by Peter Thurn, our breeding & genetics manager. The success of our efforts was realised in the April ABV release, which also saw the introduction of the three new National Breeding Indices. These were the BPI (Balanced Performance Index), the HWI (Health Weighted Index), and the TWI (Type Weighted Index). Genetics Australia's bulls performed outstandingly against these new breeding indices, demonstrating the alignment of our breeding philosophy with the future needs of the industry.

Holstein proven sires, GOLDCREST and CHRISTMAS held the 2nd and 3rd spots respectively on the BPI list, and there were 7 other Genetics Australia bulls amongst the top 20 BPI sires. GOLDCREST led the breed in the HWI, whilst CHRISTMAS was the 4th highest bull for TWI. New graduates also performed admirably, with FLASHBACK entering the market as a total performance sire with a solid all round proof and JENKINS making his mark as one of the best type and mammary sires available.

Our Holstein genomic sires also dominated the April ABV release, with Genetics Australia sires occupying 17 of the top 20 positions on the BPI list, including all of the top 5 positions. ROYALPIC, VALIUM and VIZABULL are all sons of the genomic sire PICOLA (who ranks 13th on the BPI list) are young sires who will be used in our breeding programme to produce the next generation of elite Progeny Test sires. This demonstrates the ongoing commitment of Genetics Australia to Australian genomics, with the aim of developing a cow best suited to the Australian environment and production systems.



DROGO - No.2 BPI Genomic Jersey Sire, April 2015.



ROYALPIC - No.1 BPI Genomic Holstein Sire, April 2015.

Genetics Australia's Jersey sires performed exceptionally well on the BPI list, with RACEWAY ranked 1st and NAVARIAN ranked 2nd after the April ABV run. In fact, RACEWAY was the number one sire for all three of the new breeding indices, a fantastic feat! On the Jersey genomic BPI list, Genetics Australia sires occupied half of the top 20 positions and were led by DROGO and GRIFF, who will also be used in our breeding programme.

Our Aussie Red programme continues to punch above its weight with ARBBONJOVI and ARBBOBDOWN performing well on the new rankings also.

All of these fine results could not have been achieved without the work and perseverance of our production and farm team led by Brendan Vallenge. Our farm staff have done an outstanding job not only looking after the day to day management of the bulls and semen collections, but enhancing our properties and making continual improvements to maintain the co-operative's assets, as well as critically, ensuring the safety of the staff and bulls alike. Our production laboratory now boasts a new Hamilton Thorne IVOS semen analyser. This is the latest technology in computerised semen analysis equipment, allowing a more detailed and accurate assessment of each ejaculate, which in turn ensures greater production efficiency and ensures that the quality of the product that we produce is second to none.

#### *International Sires:*

Genetics Australia recognizes that farmers want choice in Australia, and we continue to provide this in the range of product we offer from overseas, in particular through the relationship with World Wide Sires. We have again in the last year, successfully marketed a range of their high profile, in demand bulls, including the best sellers in the Proven Holstein range of Guthrie, Wyman, Dempsey and Golden Dreams, as well as the Proven global Jersey best seller, Valentino. The WWS genomic team we have taken to market have also performed well, with the Holsteins Mayfield and McCutchen, and the Jersey Irwin selling particularly well for us.



BADGER daughter - Reserve Champion, South African Jersey Championships.

#### *Beef Sires:*

Beef continued its steady growth in the business during 2014/15, driven in part by an increase in the number of Australian beef sires we offered, across a range of breeds including Angus, Poll Hereford and Charolais. In addition, one of the existing domestic bulls we market, Ayrvale Bartel E7 performed extremely well in the Angus Australia Young Sire programme, and was ranked number one for Marbling and MSA Index and as a result, is now one of our top selling bulls. Bartel and SAV Thunderbird, an imported sire, both ranked in the top ten for progeny registrations, enhancing our reputation as a marketer of high quality beef sires. Our ability to provide export ready collection facilities further enhances our attraction to domestic beef producers wanting to export, and we capitalised on this with our beef product manager Nigel Semmens exhibiting at Rockhampton Beef Expo. This provided great exposure to domestic and international producers on what Genetics Australia can offer.

#### *Other Products:*

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 items in the range such as EstroTECT heat detection patches, FIL tail paint, AI related items (guns, sheaths etc.) and CIDR and Cidrol synchronisation products.

Electronic heat detection sales were a solid contributor in the year to revenue growth, and whilst we know we will not be continuing with Moo Monitor +, we are convinced of the benefit to our customers of offering an electronic heat and activity monitoring system to help them better manage their herd fertility and health. A substantial amount of work was done last year in identifying prospects in our customer base who are potentially interested in an electronic system, and these will become the first point of contact for a new system when we have secured a new one.



One of our valued suppliers Boyd Dingus from ESTROTECT.

# GENERAL MANAGER'S REVIEW CONTINUED

## Export Business:

Our export business continues to develop, and in 2014/15 we focused on finding new distributors in a number of countries including New Zealand where we appointed a local company who have made inroads in exploiting the demand there for the Australian cow. South Africa continued to be a strong export market for us, in particular with our Jersey product. One of our star bulls over there, Badger, continued to win awards via his daughters at the National Jersey Championships, even after he had gone. Rob Derksen, our export manager attended the World Jersey Conference in South Africa earlier in the year, followed by a trip to World Dairy Expo (WDE) at Madison, where Genetics Australia had a product display. WDE was also attended by our Latin American representative, Fred Bowman, who has been key in establishing distributors and markets for us in that region, including Uruguay, Costa Rica, Columbia and El Salvador. We have had very positive feedback from these distributors on the calves born to date, and the fit they have with the Latin American environment. Interest has also been growing in the US for the Australian medium sized Holsteins, as well as the unique ability of the Australian Red to perform both there and in Europe. We finished the export year with our first foray into China, where we participated in an Austrade sponsored dairy expo in Fuzhou. A lot of interest and leads were generated, and subsequently we have had extensive discussions with a group from Inner Mongolia about taking our product on there.

## Shareholder Activity:

The share call we started mid 2014 is now complete, and we can report 1124 fully paid up active members as of 21/09/2015. Following on from the share call, last year we commenced a programme of greater communication with our members. Starting with a questionnaire to determine what members valued, we introduced regular Shareholder Newsletters a 2015 calendar, and re-introduced the Progeny Test Rebate. This small, but tangible start to improved communication with our key stakeholders will continue and be built upon in 2015/2016.

## A WORLD CLASS FUTURE

As highlighted above, we have started to increase our resource in the business on sales and marketing, and have further strengthened our field team with the addition of new people in the first few months of the new financial year. To better support the sales team, we have also invested in a new CRM (Customer Relationship Management) tool, which will enable our staff to make more efficient use of their time. In addition, this tool will allow us to more frequently and accurately tailor direct communication to our existing and new customers both with traditional paper based, but also digital information.

Genetics Australia is Australia's largest provider of Australian bred genetics proven under Australian conditions, and with the high quality of our product, we know we have a lot to offer the Australian farmer. We are proud of the ability of our sires to perform alongside any imported alternatives and will be emphasizing this in a new "World Class" advertising campaign that we are currently rolling out in various industry magazines. This is intended to supplement our product based communication, but highlight to the industry the strength of our domestic offering.

We will continue to communicate more actively with our members, via information, offers and tailored events, which will allow this key group to interact with our board and key staff members. In addition, the Shareholder rebate we re-introduced this year against purchase of our Genetic Check product, will be continued, thereby also continuing to encourage participation in our Progeny Test programme. Whilst the purchase and use of genomic bulls continues to grow, we are still very committed to offering Progeny Test product to our members, who are most likely to be a Shareholder of the company.

Our commitment to providing international genetics remains strong, as we realise the importance of offering Australian farmer's choice. In particular, we are proud of our long standing relationship with World Wide Sires (WWS), and this will continue as we take to market their extensive range of products. We have recently taken on the distribution of a new international portfolio, Jetstream, and see this as very complementary to the WWS business, being an equally high quality portfolio.

Beef and Export continue to offer great opportunities for growth, and will be supported to achieve this small, but significant part of our future business. These together with an ongoing portfolio of key, AI related merchandise and breeding related products, round out our offering to the Australian market which will be built upon further this year with a new version of Genescreen and a new electronic heat and activity monitoring product.

In summary, we look forward to a strong year, underpinned by a World Class product portfolio, with a highly committed and experienced team.



**JAYNE SENIOR**  
**GENERAL MANAGER**



# DIRECTORS' REPORT

Your Directors present their report, together with the audited financial report of the Co-operative for the financial year ended 30th June, 2015.

## DIRECTORS

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 24th November, 2014)  
Wesley Brown  
Anthony Doyle  
Craig Drake  
Jens Karnoe  
Stuart Horsburgh  
Thomas Lawson (Appointed 24th November, 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 net profit of the Co-operative after providing income tax amounted to \$19,663 (2014 \$68,927)

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

## PRINCIPAL ACTIVITIES

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

## 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 Co-operative, the results of those operations, or the state of affairs of the Co-operative in future financial years.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The likely developments in the operations of the Co-operative 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 Co-operative.

## ENVIRONMENTAL ISSUES

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

## DIVIDENDS

No dividend has been recommended in respect of the financial year ended 30 June 2015 (2014: nil).

## OPTIONS

There were no options granted over unissued shares or interest during or since the financial period by the Co-operative 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 CO-OPERATIVE

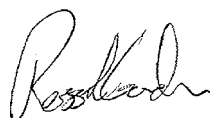
No person has applied for leave of court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings. The Co-operative was not a 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 2015 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 26th day of October, 2015

# 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	12	12
T Henry	12	12
S Bennett	5	4
W Brown	12	12
A Doyle	12	11
C Drake	12	11
S Horsburgh	12	12
J Karnoe	12	12
T Lawson	7	7

## AUDIT & RISK MANAGEMENT MEETINGS

Director	Eligible to Attend	Attended
R Gordon	-	-
T Henry	-	-
S Bennett	1	0
W Brown	-	-
A Doyle	12	11
C Drake	12	11
S Horsburgh	11	11
J Karnoe	12	12
T Lawson	-	-

# 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 engagement partner for the audit of the financial report of Genetics Australia Co-operative Limited for the year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

1. The 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.

*SWHC Australia*

SWHC Australia

*M. J. Schofield*

M J Schofield (Partner)

Registered Company Auditor 293528  
Dated this 26th day of October 2015  
Level 10, 530 Collins Street, Melbourne, VIC, 3000

Liability limited by a scheme approved under Professional Standards Legislation.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2014 \$
<b>Continuing operations</b>			
Revenue	2	10,862,665	11,993,586
Other income	2	117,004	23,266
Changes in inventories of finished goods		(129,169)	(384,394)
Semen and Merchandise Used		(4,582,899)	(4,326,155)
Stock writedown		(525,449)	(17,542)
Employee Benefits expense		(2,506,862)	(3,488,999)
Depreciation and amortisation expense	13	(466,241)	(578,408)
Finance costs		(117,298)	(217,725)
Shareholders benefits		(42,276)	(11,837)
Other expenses		(2,580,052)	(2,931,694)
<b>Profit before Income Tax</b>	<b>3</b>	<b>29,423</b>	<b>60,098</b>
Income tax expense	4	(9,760)	(20,204)
<b>Net Profit from continuing operations</b>		<b>19,663</b>	<b>39,894</b>
<b>Discontinued operations</b>			
Profit from discontinued operations after tax	11b	-	29,033
<b>Net Profit for the year</b>	<b>3</b>	<b>19,663</b>	<b>68,927</b>
<b>Other Comprehensive Income</b>			
Other Comprehensive Income for the year		-	-
<b>Total Comprehensive Profit for the year</b>		<b>19,663</b>	<b>68,927</b>

*The statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements.*

# BALANCE SHEET

AS AT 30 JUNE 2015

	Note	2015 \$	2014 \$
<b>Current Assets</b>			
Cash and cash equivalents	7	207,113	647,817
Receivables	8	2,309,487	2,020,262
Inventories	9	1,306,655	1,929,532
Other assets	10	115,178	106,067
		<u>3,938,433</u>	<u>4,703,678</u>
Assets held for sale	11a	308,296	-
<b>Total Current Assets</b>		<b><u>4,246,729</u></b>	<b><u>4,703,678</u></b>
<b>Non-Current Assets</b>			
Financial assets	12	20	20
Property	13	9,678,454	10,039,882
Plant & equipment, and motor vehicles	13	598,700	661,336
Livestock	13	795,273	706,353
Intangibles	14	15,843	15,843
<b>Total Non-Current Assets</b>		<b><u>11,088,290</u></b>	<b><u>11,423,434</u></b>
<b>Total Assets</b>		<b><u>15,335,019</u></b>	<b><u>16,127,112</u></b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,828,496	2,060,504
Financial liabilities	16	76,719	88,731
Other financial liabilities	17	5,548	-
Provisions	19	415,076	415,956
<b>Total Current Liabilities</b>		<b><u>2,325,839</u></b>	<b><u>2,565,191</u></b>
<b>Non-Current Liabilities</b>			
Financial liabilities	16	2,031,992	2,608,811
Other financial liabilities	17	97,693	97,834
Deferred tax liabilities	18	339,200	329,440
Provisions	19	1,799	4,297
<b>Total Non-Current Liabilities before member's share capital</b>		<b><u>2,470,684</u></b>	<b><u>3,040,382</u></b>
Member's interest	23	163,617	166,323
<b>Total Non-Current Liabilities</b>		<b><u>2,634,301</u></b>	<b><u>3,206,705</u></b>
<b>Total Liabilities</b>		<b><u>4,960,140</u></b>	<b><u>5,771,896</u></b>
<b>Net Assets</b>		<b><u>10,374,879</u></b>	<b><u>10,355,216</u></b>
<b>Equity</b>			
Reserves		5,211,847	5,211,847
Retained earnings		5,163,032	5,143,369
<b>Total Equity</b>		<b><u>10,374,879</u></b>	<b><u>10,355,216</u></b>

The balance sheet should be read in conjunction with the notes to the financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Retained Earnings	General Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2013</b>	5,119,197	1,307,561	3,985,762	10,412,520
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)
<b>Balance at 30 June 2014</b>	<b>5,143,369</b>	<b>1,307,561</b>	<b>3,904,286</b>	<b>10,355,216</b>
Profit for the year	19,663			19,663
<b>Balance at 30 June 2015</b>	<b>5,163,032</b>	<b>1,307,561</b>	<b>3,904,286</b>	<b>10,374,879</b>

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 \$	2014 \$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers and other income		10,690,445	12,564,373
Payments to suppliers and employees		(10,076,956)	(11,867,331)
Finance costs paid		(117,299)	(217,725)
Net cash provided by operating activities		496,190	479,317
<b>Cash Flow from Investing Activities</b>			
Payments for property, plant, equipment, motor vehicles and livestock		(492,002)	(397,762)
Proceeds from sale of non-current assets held for sale		-	659,857
Proceeds from sale of property, plant, equipment, motor vehicles and livestock		141,240	64,630
Proceeds on disposal of retail business		-	155,934
Net cash flows from/(used in) investing activities		(350,762)	482,659
<b>Cash Flow from Financing Activities</b>			
Proceeds from share issues		62,756	15,695
Payment for share cancellation/redemption		(1,537)	-
Payment in respect of debenture holders		(58,519)	(630)
Net (repayment)/proceeds of borrowings		(500,000)	(493,740)
Payment of finance lease liabilities		(88,831)	(28,980)
Net cash used in financing activities		(586,132)	(507,655)
Net increase/(decrease) in cash held		(440,704)	454,321
Cash at beginning of financial year		647,817	193,496
Cash and cash equivalents at the end of the financial year	7	207,113	647,817

The above statement in changes in equity and cash flow statement should be read in conjunction with the notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### 1. Summary of significant accounting policies

The financial statements and notes represent those of Genetics Australia Cooperative Limited. ("the Co-operative")

#### Basis of Preparation

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

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented 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) 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.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

## 1. Summary of significant accounting policies (Continued)

### b) 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.

### c) 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.

#### 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(f) for details of impairment).

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### 1. Summary of significant accounting policies (Continued)

#### c) Property, Plant and Equipment (Continued)

##### Livestock

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

##### Depreciation

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

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

Class of Fixed Asset	Depreciation rates
Buildings	2.5-20%
Plant and equipment	4-27%
Leased plant and equipment	4-27%
Livestock	10-20%

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

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

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

#### d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to the Co-operative, are classified as finance leases.

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

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

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

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

#### e) Financial Instruments

##### Initial recognition and measurement

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

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

##### Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective* interest method.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### 1. Summary of significant accounting policies (Continued)

#### e) Financial Instruments (Continued)

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

##### (i) *Financial assets at fair value through profit or loss*

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

##### (ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

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

##### (iii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed or determinable payments.

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

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

##### (iv) *Financial liabilities*

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

#### **Impairment**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### 1. Summary of significant accounting policies (Continued)

#### e) 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 Co-operative no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### f) Impairment of Assets

At the end of each reporting period, the Co-operative assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116: Property, Plant and Equipment). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

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

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

#### g) Intangible Other than Goodwill

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

#### h) Foreign Currency Transactions and Balances

##### Functional and presentation currency

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

##### Transaction and balances

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

Exchange differences arising on the translation of monetary items are recognised in profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

#### i) Employee Benefits

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### 1. Summary of significant accounting policies (Continued)

#### j) Provision

Provisions are recognised when the Co-operative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### k) 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 balance sheet.

#### l) 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 rebates allowed.

Revenue from the sale of goods, including semen, insemination equipment and other merchandise products, are recognised upon delivery of goods as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in these goods.

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).

#### m) 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

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

#### n) Trade and Other Payables

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

#### o) Borrowing Costs

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

#### p) 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 balance sheet.

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 2015

### q) 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.

### r) Shareholder benefits

Rebates provided to shareholders of the Co-operative 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.

### s) New and Amended Accounting Policies Adopted by the Co-operative

During the financial year the Co-operative 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.

### t) New Accounting Standards for Application in Future Periods

Reference and Title	Details of New Standard/Amendment/Interpretation	Impact on Co-operative	Application date for the Co-operative
AASB 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 Co-operative 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>	Although the directors anticipate that the adoption of AASB 9 may have an impact on the Co-operative's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.	01-Jan-17
AASB 15	<p>AASB 15 :Revenue from Contracts with Customers (applicable for accounting periods commencing on or after 1 January 2017).</p> <p>This standard introduces a single revenue recognition model based on the transfer of goods and services and the consideration expected to be received for that transfer.</p>	The directors do not anticipate that the adoption of AASB 15 will have a significant impact on the results of the Co-operative's operations	01-Jan-17

### u) 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 Co-operative.

#### Key estimates

- (i) *Employee Entitlements*

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

#### Key judgments

- (i) *Impairment*

The Co-operative 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 26th October, 2015.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

### Note 2 : Revenue

#### Revenue from continuing operations

	Note	2015 \$	2014 \$
Sales Revenue			
sale of goods		10,455,786	10,360,225
genetic and other services		406,879	1,633,361
Total sales revenue		<u>10,862,665</u>	<u>11,993,586</u>
Other income			
export grant		28,373	-
gain on disposal of plant and equipment and livestock		88,631	23,266
Total other income		<u>117,004</u>	<u>23,266</u>
Total sales revenue and other income		<u><u>10,979,669</u></u>	<u><u>12,016,852</u></u>

### Note 3 : Profit before Income Tax

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

#### a. Expenses

Cost of sales		4,582,899	4,326,155
Finance costs - External		117,298	217,725
Depreciation of non-current assets	13	466,241	578,408

#### b. Significant Revenue and Expenses

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

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

### Note 4 : Income Tax Expense (Benefit)

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

Current tax		-	-
Deferred tax		9,760	20,204
		<u>9,760</u>	<u>20,204</u>

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

Prima facia tax expense (benefit) on profit/(loss) from ordinary activities before income tax @ 30%		8,827	18,033
Add			
Tax effect of:			
-Non-deductible expenses		933	2,171
		<u>933</u>	<u>2,171</u>
Income tax expense/(benefit) attributable to entity		<u>9,760</u>	<u>20,204</u>

### Note 5 : Auditors Remuneration

Remuneration of auditor			
-audit for the year ended 30 June		20,000	20,000
-other services		3,500	-
		<u>23,500</u>	<u>20,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
<b>Note 6 : Key Management Personnel Compensation</b>		
Total of Remuneration paid to key management personnel of the group during the year is as follows:		
- Directors	145,453	136,169
- Executives	819,289	796,438
	<u>964,742</u>	<u>932,607</u>
<p><i>The names of directors of the co-operative who have held office during the financial year are set out in the Report of Directors.</i></p> <p><i>The executive remuneration for 2014 has been restated from the previous year's financial statements to include the same number of executives as in 2015 on the basis that this makes for a better comparison.</i></p>		
<b>Note 7 : Cash and Cash Equivalents</b>		
Cash at bank and on hand	207,113	647,817
<b>Reconciliation of cash</b>		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash at bank and on hand	207,113	647,817
Cash and cash equivalents	<u>207,113</u>	<u>647,817</u>
Genetics Australia Co-Operative has a fully undrawn bank overdraft facility of \$500,000 at 30 June 2015.		
<b>Note 8: Trade and Other Receivables</b>		
Trade receivables	2,342,390	2,027,571
Provision for impairment of receivables	(47,387)	(54,682)
	<u>2,295,003</u>	<u>1,972,889</u>
Other receivables	14,484	47,373
	<u>2,309,487</u>	<u>2,020,262</u>
<b>Note 9: Inventories</b>		
Semen at net realisable value	1,287,723	1,311,593
Merchandise at net realisable value	512,640	617,939
	<u>1,800,363</u>	<u>1,929,532</u>
Provision for Stock Write Offs	(493,708)	-
	<u>1,306,655</u>	<u>1,929,532</u>
<b>Note 10 : Other Assets</b>		
Prepayments	115,178	106,067
	<u>115,178</u>	<u>106,067</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
<b>Note 11 : Assets held for sale and discontinued operations</b>		
(a) Assets held for sale	308,296	-
Land and buildings classified as held for sale during the reporting period were measured at the lower of the carrying amount and fair value less costs to sell at the time of reclassification.		
(b) Discontinued operations		
In the prior year the co-operative deregistered two entities and disposed of its retail and services business.		
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
<b>Note 12 : Financial Assets</b>		
Available for sale financial assets		
Shares in other entities-at cost	20	20
<b>Note 13 : Property, Plant &amp; Equipment, Motor Vehicles and Livestock</b>		
Land and Buildings - at fair value	11,699,143	12,167,828
less accumulated depreciation	(2,020,689)	(2,127,946)
Total Land and Buildings	9,678,454	10,039,882
Plant, Equipment & Motor Vehicles - at cost	4,452,037	4,393,142
less accumulated depreciation	(3,853,337)	(3,731,806)
Total Plant, Equipment & Motor Vehicles	598,700	661,336
Total Property, Plant & Equipment	10,277,154	10,701,218
Livestock- at cost	1,341,148	1,308,238
less accumulated depreciation	(545,875)	(601,885)
Total livestock	795,273	706,353
Total	11,072,427	11,407,571

	Land and Buildings	Plant, Equipment & Motor Vehicles	Livestock	Total
Balance at 30th June 2014	10,039,882	661,336	706,353	11,407,571
Additions		168,482	323,520	492,002
Disposal - written-down value		(11,678)	(40,931)	(52,609)
Transfer to assets held for sale	(308,296)			(308,296)
Depreciation expense	(53,132)	(219,440)	(193,669)	(466,241)
Carrying amount at 30th June 2015	9,678,454	598,700	795,273	11,072,427

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
<b>Note 14 : Intangibles</b>		
Trademarks	15,843	15,843
	<u>15,843</u>	<u>15,843</u>
Movements in intangibles		
		Trademarks      Total
Balance at 30th June 2014		15,843      15,843
Carrying amount at 30th June 2015		<u>15,843</u> <u>15,843</u>
<b>Note 15 : Trade and Other Payables</b>		
	2015 \$	2014 \$
Current		
Trade payables	1,391,556	1,744,533
Sundry payables and accrued expenses	436,940	315,971
	<u>1,828,496</u>	<u>2,060,504</u>
<b>Note 16 : Financial Liabilities</b>		
Current		
Finance Loan - Hire Purchase/Chattel Mortgage	76,719	88,731
	<u>76,719</u>	<u>88,731</u>
Non-current		
Bank loan secured	2,000,000	2,500,000
Finance Loan - Hire Purchase/Chattel Mortgage	31,992	108,811
	<u>2,031,992</u>	<u>2,608,811</u>
(a) Total current and non-current secured liabilities:		
Bank loan	2,000,000	2,500,000
Hire Purchase/Chattel Mortgage	108,711	197,542
	<u>2,108,711</u>	<u>2,697,542</u>
(b) The carrying amounts of non-current assets pledged as security are:		
First mortgage		
- Freehold land and buildings	7,260,000	7,260,000
Hire Purchase/Chattel Mortgage		
- Motor Vehicles	106,881	130,303
	<u>7,366,881</u>	<u>7,390,303</u>
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.		
<b>Note 17 : Other Financial Liabilities</b>		
Current		
Debentures repayable within 12 months	5,548	-
Non-current		
Debentures repayable after 12 months	97,693	97,834
	<u>103,241</u>	<u>97,834</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2015

	2015 \$	2014 \$
<b>Note 18 : Tax</b>		
<b>a) Assets (Liabilities)</b>		
Deferred tax assets (liabilities) comprise:		
Tax allowances relating to		
Property, plant and equipment, motor vehicles and livestock	(2,065,499)	(2,065,895)
Provisions	125,063	126,076
Income tax losses	1,370,094	1,556,150
Other	231,142	54,229
	(339,200)	(329,440)
<b>b) Reconciliations</b>		
<b>Gross Movements</b>		
The overall movements in deferred tax account is as follows:		
Opening balance	(329,440)	(159,871)
Credited (charged) to the income statement	(9,760)	(32,647)
Credited (charged) to equity		(136,922)
Closing balance	(339,200)	(329,440)
<b>Note 19 : Provisions</b>		
Current		
Annual Leave	124,396	126,918
Long Service Leave	290,680	289,038
	415,076	415,956
Non Current		
Long Service Leave	1,799	4,297
	1,799	4,297
Aggregate employee entitlements liability	416,875	420,253
Employee Benefits		
Opening balance at beginning of year	420,253	665,149
Amounts used	(224,888)	(484,410)
Additional provisions raised during the year	221,510	239,514
Balance at end of year	416,875	420,253

### 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.

### Notes 20 : 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 2015

	Note	2015 \$	2014 \$
<b>Note 21 : Capital and leasing commitments</b>			
(a) Non-cancellable Hire Purchase/Chattel Mortgage capitalised in the financial statements:			
Payable - minimum lease payments			
- not later than one year		83,726	102,131
- later than one year but not later than two years		32,589	83,726
- later than two years but not later than five years		-	32,589
- Less interest paid		(7,604)	(20,904)
		<u>108,711</u>	<u>197,542</u>

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

Livestock		<u>80,500</u>	<u>-</u>
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### Notes 22 : Financial Risk Management

#### a) Financial Risk Management Policies

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

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

<b>Financial Assets:</b>			
Cash and cash equivalents	7	207,113	647,817
Receivables	8	2,309,487	2,020,262
Financial Assets	12	20	20
<b>Total Financial Assets</b>		<u>2,516,620</u>	<u>2,668,099</u>
<b>Financial Liabilities:</b>			
Financial liabilities at amortised cost:			
- Trade and other payables	15	1,828,496	2,060,504
- Bank loans - secured	16	2,000,000	2,500,000
- Debentures	17	97,693	97,834
<b>Total Financial Liabilities and Debentures</b>		<u>3,926,189</u>	<u>4,658,338</u>

### Notes 23 : Members Interest

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

Opening balance - 123,747 partly paid shares		166,323	151,258
Shares issued during the year		62,756	15,695
Shares cancelled/redeemed during the year		(65,462)	(630)
Closing balance - 123,197 fully and partly paid shares		<u>163,617</u>	<u>166,323</u>
		<b>2015</b>	<b>2014</b>
Number of Members		2,352	2,363
Number of Shares forfeited under Part 2 of the Co-operative National Application Act 2013		-	-

### Notes 24 : Contingent Liabilities and Contingent Assets

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

### Notes 25 : Events after the reporting date

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

### Notes 26 : Related Party Transactions

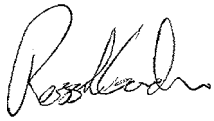
There were no transactions with related parties at more favourable terms or conditions than those available to other parties.

# DIRECTOR'S DECLARATION

The Directors of the Co-operative declare that:

1. The financial statements and notes set out on pages 7 to 22 are in accordance with the Co-operative National Law Application Act 2013 and the Corporations Act 2001 and:
  - (a) comply with Accounting Standards - Reduced Disclosure Requirements; and
  - (b) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date.
2. In the Directors opinion there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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



**DIRECTOR**



**DIRECTOR**

Dated this 26th day of October 2015

# AUDIT REPORT

## FOR THE YEAR ENDED 30 JUNE 2015



**SWHC Australia**

Certified Practising Accountants  
ABN 70 579 787 151

Level 10  
530 Collins Street  
Melbourne VIC 3000  
Australia

T +61 3 8635 1800  
F +61 3 8102 3400

admin@shinewing.com.au  
www.shinewing.com.au

### 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 balance sheet as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information as set out on pages 7 to 23.

#### *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 Co-operative's financial position as at 30 June 2015 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*.

**SWHC Australia**

**M J Schofield**

Partner

Melbourne: 26 October 2015

Liability limited by a scheme approved under Professional Standards Legislation.  
SWHC Australia has changed its name from ShineWing Hall Chadwick and is a continuation of that partnership.  
The partners of SWHC Australia have also joined the Australian partnership of ShineWing Australia.  
All changes with effect from 01 February 2015.





**Genetocs**  
**AUSTRALIA**  
*Breeding better Australian herds*

ABN 64 822 392 303  
PO BOX **195**, Bacchus Marsh Vic 3340

**Tel:** +61 3 5367 3888  
**Fax:** +61 3 5367 5100  
**Freecall:** 1800 039 047  
**Email:** [info@genaust.com.au](mailto:info@genaust.com.au)

[www.genaust.com.au](http://www.genaust.com.au)

**Directors as at 26/10/2015**

Ross Gordon (Chairman) Dip. Farm Man.  
Trevor Henry (Deputy Chairman) Maffra Vic.  
Wesley Brown Tamworth NSW  
Craig Drake Dip. Ag. Sci., Dip. Farm Man. FAICD 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  
Tom Lawson BAgSci. (NZ), Yea Vic

