

Genetics Australia Co-operative Limited  
**2015-2016 ANNUAL REPORT**



# DIRECTORS



## **Trevor Henry**

(Chairman)

Maffra, Vic.

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



## **Ross Gordon**

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 was previously Chairman of Genetics Australia from 2010 to 2015.



## **Craig Drake**

(Deputy Chairman)

Dip. Ag. Sci., Dip. Farm Man., FAICD

Allansford, Vic.

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



## **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.



## **Daniel Cochrane**

Dip. Ag.

Longreach, NSW

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



## **Rohan Sprunt**

Bbus.

Kaarimba, Vic.

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



## **Anthony Doyle**

Bbus.

Wallacedale, Vic.

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

# CHAIRMAN'S REPORT

**On behalf of the Board of Genetics Australia (GAC), I am pleased to present this report to you for the 2015-2016 year. Dairy industry conditions for the latter part of last financial year deteriorated dramatically undermining the confidence of farmers and service and product providers alike.**

The milk price at the end of the season represented a significant drop on the closing price of the previous year. The corresponding erosion of confidence ultimately results in less investment in genetic improvement. GAC was not immune to this downturn and reported an after tax loss of \$225,689 for the year ended June 2016. Whilst this loss is unfortunate, GAC maintains a strong balance sheet and will meet the challenges ahead.

The BPI, TWI and HWI breeding indexes have been well accepted by industry and are steadily gaining traction. They form the cornerstone of our bull selection processes but are not the only focus with traits such as fertility, health traits and type still playing a significant role. Our aim is still to produce genetics geared for Australian farming conditions and the strong performance of our bulls on the ABV lists reflects this.

In the fast paced world of genomics, our progeny test participants remain critical to our product development process. The collection of data on the progeny of a wide range of bulls is still vital to ensure we develop products that meet the future needs of our customers. We thank you for your ongoing support to Genetics Australia, and we remain committed to ensuring shareholders continue to get priority access to the highest genomic young bulls into the future and to provide greater benefits to those that support progeny testing.

Our Bull breeders are a vital part of Genetics Australia's success. Each year, over 500 bulls are genomically tested. These bulls represent a range of cow families and sire lines with only the cream rising to the top. Genomic testing at times can be a drawn-out process and we thank our breeders for their support and patience.

Our relationships with a number of key industry groups including Dairy Australia, ADHIS, Jersey Australia, Aussie Reds, Holstein Australia and NHIA, are important to us and critical for our success. This group of organisations share a common purpose and goals and in the challenging times we are facing, our relationships with these sister organisations become all the more important.

In February 2016, our General Manager Jayne Senior left the business to pursue further career opportunities in Sydney. We thank Jayne for her contribution in her time with Genetics Australia. We will miss her bright disposition and her leadership skills. Jayne was a great fit for our business and was integral in charting the direction of the business as we redefined our strategic plan. We wish Jayne and her family all the best for their new life in Sydney.

With Jayne's departure, the Board took the opportunity to appoint Anthony Shelly from his role of Commercial Business Manager to the role of General Manager. Anthony has a long history with Genetics Australia holding a number of roles within the business as well as spending time in various retail roles outside of Genetics Australia. Anthony's experience and industry connections and staff support has meant we have had a seamless transition within the business. With increased stability within our staff, GAC is poised to take new opportunities when the dairy industry recovers.

I would like to take this opportunity to thank departing Board members for their contribution to the Co-operative. Jens Karnoe, Tom Lawson and

Wes Brown stepped down from their positions in 2015 and we thank them for their contributions. Jens was a long serving specialist director who brought a wealth of commercial knowledge and experience to the Board table. Holstein breeder Wes Brown made valuable contributions and provided a strong link with the registered sector and Angus breeder Tom Lawson added valuable beef experience to our Board. We thank these three men for their contribution and wish them success in their business ventures.

At the last AGM we welcomed two new Board members. Rohan Sprunt of Kaarimba, in Victoria and Daniel Cochrane of Nowra, NSW. Rohan is a former member of the Jersey Australia Board and a successful breeder of both Jersey and Holstein cattle while Daniel is a 5th generation dairy farmer and together with his family milk over 1250 cows on three dairies west of Nowra in NSW. Both bring a solid skill set and experience to the Board table and we look forward to their ongoing input to the direction of the Cooperative.

I would like to take the opportunity to acknowledge the tremendous contribution former Chairman Ross Gordon has made to both GAC and the broader dairying community. Ross took over the role of Chairman in a difficult period for GAC, his poise, strength of character and easy disposition chartered a path forward, Ross's leadership has been appreciated by all who served with him on the board and staff at GAC. Personally Ross has been, and will continue to be a valued mentor for others and myself in our industry. We wish Ross, Janette and family continued success with all their endeavours.

I would also like to extend my thankyou to the Board as a whole in my first year as Chairman. I have enjoyed tremendous support and appreciate the time and effort they have all put in over the past 12 months. In that time, we have completed a solid strategic review and formulated a plan that will see our business progress in the next 3 to 5 years.

On behalf of the Genetics Australia Board I would like to thank our Management team for the last financial year. We have a great team of committed, professional staff from the farm right through to finance and administration. I would like to thank you, one and all for your efforts throughout the year.

Finally, thank you to my family for their support and all of our suppliers, and reseller customers, shareholders and farmers, your continued patronage of our business enables us to provide the quality products and services that are demanded by dairy and beef producers and an ability to invest in future products.



A handwritten signature in black ink, appearing to read 'T. Henry', written over a light background.

**TREVOR HENRY  
CHAIRMAN**

# GENERAL MANAGER'S REVIEW

## FINANCIAL OVERVIEW

Genetics Australia returned a loss after Tax for 2015/16 of \$225,689 on Revenues of \$8,904,835. Whilst this profit result was down on the prior year, this was achieved inclusive of a stock write down of \$200,000.

The net asset base of the co-operative remains strong and healthy at \$11,101,717, an increase of \$726,838 vs 2014/15 with a positive cash position of \$452,029.

Thank you to Indra Dona and her administration team for the outstanding management of our financial accounts.

## KEY BUSINESS ACTIVITIES

### *Sales and Marketing:*

The focus of the past 12 months has been on building on our position as the leading source of World Class Australian-bred and proven genetics, supported by our portfolio of high quality international genetics and top quality breeding related merchandise. Our "World Class" advertising campaign was designed to reinforce this and has added to our extensive product advertising. We have continued to work closer with our key reseller customers to ensure our product is at the forefront of their offering. At the same time, we have bolstered our field sales representation to ensure we are in a position to present our products to more farmer and reseller customers. Thank you to Mike Huth and his sales team for the professional way they have conducted themselves and their dedication and efforts during a challenging time in our industry.

We have restructured our customer service division and created a "customer service hub" under the guidance of customer service manager, Graeme Cowan. The hub is designed to increase responsiveness to reseller customer needs and we remain ever committed to deliver product on time as required.

### *Shareholder Activity:*

With the share call finalised, we are pleased to announce that our shareholding has started to grow. During the year we also announced increased shareholder benefits in the form of product rebates in recognition of the tough conditions our industry faces. Your Co-operative is committed to providing cost effective solutions to your breeding needs and urge you to take advantage of these rebates as a way of continuing to achieve your herd improvement goals.

### *Domestic Sires:*

Our commitment to develop "World Class" genetics designed for our Australian farming systems is unwavering. Our focus on producing the highest BPI, TWI and HWI bulls with the right mix of production, health, survival and type characteristics remains strong and the performance of our bulls in the April 2016 ABV run clearly demonstrates the effectiveness of our breeding strategy. Led by our Breeding, Genetics and Production Manager, Peter Thurn and his team of Greg Tiller, Mike Huth and John Harle, we continue to work with leading herds to develop elite Australian genetics.

Our domestic product offering has never been stronger. Holstein WRANGLER burst onto the scene in April and has firmly cemented himself as "go to" Holstein sire with a no holes proof and a different pedigree (Man-O-Man x Shottle). He was joined by two full brothers in CHALLENGER and GEEMCEE, the number one BPI sire. All three bulls have different strengths and it is most pleasing to see that they come from the same family that produced farmer and GA favourite bull, the legendary JUDGE. Other new Holstein graduates included JIMEO (Legend x Shottle), NADAL (Man-O-Man x Roumare), MRSASS (MrSam x Roumare) and TRICKIN (Man-O-Man x Roumare). All these bulls joined an already strong lineup lead by CHRISTMAS, the veteran DELSANTO and the evergreen MEDALLION. DELSANTO who will go down in history as one of the greatest black and white sires this country has ever seen with high rated genomic sons and grandsons already on our collection facility. At 99% reliable both he and MEDALLION are ideal examples of the fact that world class bulls stand in Australia.

Our Holstein genomic sires continue to dominate the genomic list led by the number one genomic sire KINGTUT. We are also pleased with the early daughter performance of some of our more popular genomic sires. PICOLA, ROYALMAN and ATLEY, all adding daughters to their breeding values this season and the indications so far their genomic predictions will deliver on their promise.

Our Jersey sires continue to perform well with RACEWAY consolidating his position at the top end of the proven list after the April ABV run. He was joined in the proven lineup by AUSSIEGOLD, Australia's leading polled Jersey sire who graduated almost spot on to his genomic values. Not only is he polled but he sires deep bodied, wide chested daughters with outstanding components, an ideal easy to use bull for many Jersey herds.

On the Jersey genomic BPI list, GLENFERRIE is a clear leader. A son of the US sire TBone, GLENFERRIE will be a dominant force in the Jersey



PERTINENT – No.1 TWI Genomic Holstein Sire April 2016.



GEEMCEE – No.1 BPI Proven Holstein Sire, August 2016

breed in years to come. He is supported by a number of quality young sires providing a Jersey product offering second to none.

We continue our commitment to the Australian Red Dairy Breed (ARDB) and are happy to announce that we have signed a MOU with the ARDB which will facilitate greater interaction with the breed and breeders. The aim is to maximise genetic gain with the introduction of genomic tools to ensure we continue to produce a product most suited to the needs of Red and Cross breeders alike.

Managing a large herd of bulls has many challenges but our Farm Manager, Brendan Vallenge and his team have ensured our bulls are fit and healthy and capable of optimal performance. They have done an outstanding job not only looking after the day to day management of the bulls and semen collections, making continual improvements to maintain the company's key assets, as well as ensuring the safety of the staff and bulls alike. Our laboratory manager, Emily Cavill has worked closely with the farm team to ensure that our product quality is second to none and semen fertility is maximized.

#### *International Sires:*

We value our relationship with key suppliers WWS, Jetstream, Super Brown, Intermizoo. We recognize that farmers want choice and we continue to provide quality product offerings from overseas.

#### *Beef Sires:*

Our growth in supplying quality genetics to the beef industry continues and is a key strategic objective identified by the Board. Its steady growth is pleasing, driven in part by an increase in the number of Australian beef sires we offer but also in the quality products sourced from our key suppliers in the USA. Our beef product manager Nigel Semmens continues to identify opportunities to expand our beef offering to meet the needs of beef producers around Australia.

#### *Export Business:*

Another key strategic objective is the expansion of our export business. Interest in Australian genetics continues to grow and our focus remains on capitalizing on export opportunities where our bulls will be a good fit for pasture and pasture plus supplement production systems. As our bulls continue to perform in Australia against the best of the international imported genetics, more and more international semen distributors are realizing many good bulls stand in Australia. The global genetics market is full of challenges and is extremely competitive, export allows us to improve the utilisation of our bulls.

#### *Other Products:*

Sourcing industry leading merchandise has always been a key focus of the cooperative and sales continue to grow year on year. Leading heat detection products such as Estroprotect heat patches and FIL tail paint continue to be in demand.

### **WORLD CLASS – MORE THAN A CATCHPHRASE**

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

There is little doubt that the quality of our products remains the best at any time in our 59-year history. There is also no doubt the challenges the cooperative face are also as great as any time in our long history. We also recognize these challenges are not unique to the cooperative and that dairy farmers around Australia are also continually challenged by the vagaries of milk prices, climatic conditions and increasing farm and labour costs. When you next select your genetics we don't ask for your support just because we are Australian but we do ask you to identify your breeding goal, look at all the data available on the genetics you are considering and we are confident you will find many bulls that will meet those bulls in the product the Cooperative is offering. If every Shareholder sourced 80% of their genetic needs from the cooperative the cooperative will be in a much stronger position to continue to invest in genetics and associated products and services. Finally, I thank you for your support over the past 12 months and together with the Genetics Australia team extend our best wishes for the year ahead.



A handwritten signature in black ink, appearing to read 'Anthony Shelly'.

**ANTHONY SHELLY  
GENERAL MANAGER**



AUSSIEGOLD – Best New Jersey Graduate 2016



BARTEL – Most Popular Angus Sire 2015-2016

# DIRECTORS' REPORT

Your Directors present their report, together with the audited financial report of the Co-operative for the financial year ended 30th June, 2016.

## DIRECTORS

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

Trevor Henry (Chairman)  
Craig Drake (Deputy Chairman)  
Wesley Brown (Retired 23rd November, 2015)  
Daniel Cochrane (Elected 23rd November, 2015)  
Anthony Doyle  
Ross Gordon  
Jens Karnoe (Retired 23rd November, 2015)  
Stuart Horsburgh  
Thomas Lawson (Retired 23rd November, 2015)  
Rohan Sprunt (Elected 23rd November, 2015)

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 loss of the Co-operative after providing for income tax amounted to \$225,689 (2015 net profit of \$19,663)

Other comprehensive income net of tax amounted to \$1,102,527 and related to revaluation increases in property, plant and equipment (2015 \$nil)

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 2016 (2015: 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 71 of the constitution of the Co-operative indemnifies officers in accordance with section 198 of the Co-operative National Law Application Act 2013. Further, during the year, the Co-operative paid an insurance policy for the benefit of directors and officers of the Co-operative. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the nature of the liability insured against, and the amount of the premium.

## PROCEEDINGS ON BEHALF OF THE CO-OPERATIVE

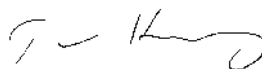
No person has applied for leave of court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings. The Co-operative was not a 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 2016 has been received and can be found on page 5.

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

On behalf of the Directors



**TREVOR HENRY**  
CHAIRMAN



**CRAIG DRAKE**  
DEPUTY CHAIRMAN

Bacchus Marsh 24th day of October, 2016

# MEETINGS OF DIRECTORS

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

## BOARD MEETINGS

Director	Eligible to Attend	Attended
T Henry	12	12
C Drake	12	11
W Brown	5	5
D Cochrane	7	7
A Doyle	12	11
R Gordon	12	11
S Horsburgh	12	12
J Karnoe	5	5
T Lawson	5	5
R Sprunt	7	7

## AUDIT & RISK MANAGEMENT MEETINGS

Director	Eligible to Attend	Attended
T Henry	-	-
C Drake	12	11
W Brown	-	-
D Cochrane	-	-
A Doyle	12	11
R Gordon	-	-
S Horsburgh	12	12
J Karnoe	5	5
T Lawson	-	-
R Sprunt	7	7

# AUDITOR'S DECLARATION



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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016, there have been:

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

ShineWing Australia  
Chartered Accountants

M J Schofield (Partner)

Registered Company Auditor 293528  
Dated this 24th day of October 2016  
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 2016

	Note	2016 \$	2015 \$
Revenue	2	8,904,835	10,862,665
Other income	2	134,152	117,004
Changes in inventories of finished goods		(196,815)	(129,169)
Semen and Merchandise Used		(3,333,626)	(4,582,899)
Stock writedown		(200,000)	(525,449)
Employee Benefits expense		(2,692,977)	(2,506,862)
Depreciation and amortisation expense	3(a)	(435,027)	(466,241)
Finance costs		(108,506)	(117,298)
Shareholders benefits		(87,410)	(42,276)
Other expenses		(2,251,226)	(2,580,052)
<b>Profit/(Loss) before Income Tax</b>	<b>3</b>	<b>(266,600)</b>	<b>29,423</b>
Income tax benefit/ (expense)	4	40,911	(9,760)
<b>Net Profit/(Loss) for the year</b>	<b>3</b>	<b>(225,689)</b>	<b>19,663</b>
<b>Other Comprehensive Income (net of income tax)</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation changes for property, plant and equipment (net of tax)		1,102,527	-
Other Comprehensive Income for the year, net of tax		1,102,527	-
<b>Total Comprehensive Income for the year</b>		<b>876,838</b>	<b>19,663</b>

*The accompanying notes form part of these financial statements.*

# BALANCE SHEET

AS AT 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>Current Assets</b>			
Cash and cash equivalents	7	452,029	207,113
Receivables	8	1,540,438	2,309,487
Inventories	9	1,542,520	1,306,655
Other assets	10	67,347	115,178
		3,602,334	3,938,433
Assets held for sale	11	-	308,296
<b>Total Current Assets</b>		<b>3,602,334</b>	<b>4,246,729</b>
<b>Non-Current Assets</b>			
Financial assets	12	20	20
Property	13	11,200,000	9,678,454
Plant & equipment, and motor vehicles	13	588,126	598,700
Livestock	13	757,341	795,273
Intangibles	14	15,843	15,843
<b>Total Non-Current Assets</b>		<b>12,561,330</b>	<b>11,088,290</b>
<b>Total Assets</b>		<b>16,163,664</b>	<b>15,335,019</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,689,420	1,828,496
Financial liabilities	16	15,505	76,719
Other financial liabilities	17	8,802	5,548
Provisions	19	468,276	415,076
<b>Total Current Liabilities</b>		<b>2,182,003</b>	<b>2,325,839</b>
<b>Non-Current Liabilities</b>			
Financial liabilities	16	1,900,000	2,031,992
Other financial liabilities	17	79,394	97,693
Deferred tax liabilities	18	772,172	339,200
Provisions	19	4,668	1,799
<b>Total Non-Current Liabilities before member's share capital</b>		<b>2,756,234</b>	<b>2,470,684</b>
Member's interest	23	123,710	163,617
<b>Total Non-Current Liabilities</b>		<b>2,879,944</b>	<b>2,634,301</b>
<b>Total Liabilities</b>		<b>5,061,947</b>	<b>4,960,140</b>
<b>Net Assets</b>		<b>11,101,717</b>	<b>10,374,879</b>
<b>Equity</b>			
Reserves		6,200,274	5,211,847
Retained earnings		4,901,443	5,163,032
<b>Total Equity</b>		<b>11,101,717</b>	<b>10,374,879</b>

The accompanying notes form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	Retained Earnings	General Reserve	Asset Revaluation Reserve	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2014</b>	5,143,369	1,307,561	3,904,286	10,355,216
Profit for the year	19,663	-	-	19,663
<b>Balance at 30 June 2015</b>	5,163,032	1,307,561	3,904,286	10,374,879
Transfer to retained earnings upon disposal of freehold property	114,100	-	(114,100)	-
Increase during the year arising from independent revaluation of freehold properties (net of tax)	-	-	1,102,527	1,102,527
Transfer to provision for doubtful debts in accordance with AASB 9	(150,000)	-	-	(150,000)
Loss for the year	(225,689)	-	-	(225,689)
<b>Balance at 30 June 2016</b>	4,901,443	1,307,561	4,892,713	11,101,717

# STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 \$	2015 \$
<b>Cash Flow from Operating Activities</b>			
Receipts from customers and other income		9,658,036	10,690,445
Payments to suppliers and employees		(9,088,839)	(10,076,956)
Finance costs paid		(108,506)	(117,299)
Net cash provided by operating activities		460,691	496,190
<b>Cash Flow from Investing Activities</b>			
Proceeds from sale of assets held for sale		290,472	-
Proceeds from sale of property, plant, equipment, motor vehicles and livestock		141,532	141,240
Payments for property, plant, equipment, motor vehicles and livestock		(443,708)	(492,002)
Net cash flows used by investing activities		(11,704)	(350,762)
<b>Cash Flow from Financing Activities</b>			
Proceeds from share issues		6,445	62,756
Payment for share cancellation/redemption		(2,266)	(1,537)
Payment in respect of debenture holders		(15,045)	(58,519)
Net repayment of borrowings		(100,000)	(500,000)
Payment of finance lease liabilities		(93,205)	(88,832)
Net cash used by financing activities		(204,071)	(586,132)
Net increase/(decrease) in cash held		244,916	(440,704)
Cash at beginning of financial year		207,113	647,817
Cash and cash equivalents at the end of the financial year	7	452,029	207,113

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

### 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 2016

### 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 include 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 2016

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

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

#### 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.

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 2016

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

#### e) 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 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 2016

### 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 2016

### 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 expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognized as fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment (refer to Note 1(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 2016

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

#### 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 Profit or loss and other 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 Standard AASB 9 Financial Instruments 2014

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

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

##### *Changes to impairment of trade receivables*

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

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

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

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

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

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

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

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

#### 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 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 by the board on 24th October, 2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

## Note 2 : Revenue

	Note	2016 \$	2015 \$
Sales Revenue			
sale of goods		8,625,970	10,455,786
genetic and other services		278,865	406,879
Total sales revenue		8,904,835	10,862,665
Other income			
export grant		28,134	28,373
gain on disposal of plant and equipment and livestock		61,932	88,631
gain on forfeiture of shares		44,086	-
Total other income		134,152	117,004
Total sales revenue and other income		9,038,987	10,979,669

## Note 3 : Profit/(Loss) before Income Tax

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

### a. Expenses

Cost of sales		3,333,626	4,582,899
Finance costs - External		108,506	117,298
Depreciation of asset held for sale		3,582	-
Depreciation of non-current assets	13	431,445	466,241

## Note 4 : Income Tax Expense (Benefit)

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

Current tax		(50,274)	-
Deferred tax		9,363	9,760
		(40,911)	9,760

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

Prima facie tax expense (benefit) on profit/(loss) from ordinary activities before income tax @ 30%		(79,980)	8,827
Add			
Tax effect of:			
-Non-deductible expenses		4,940	933
-Disposal of assets		130	-
-Capital Gain on disposal of assets		50,598	-
-Underprovision of tax losses in prior years		33,675	-
		89,343	933
Less			
Tax effect of:			
-Research & Development Tax Offset underprovided in prior years		50,274	-
		50,274	-
Income tax expense/(benefit) attributable to entity		(40,911)	9,760

## Note 5 : Auditors Remuneration

Remuneration of auditor			
-audit for the year ended 30 June		20,000	20,000
-other services		5,000	3,500
		25,000	23,500

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<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	166,027	145,453
- Executives	839,576	819,289
	<u>1,005,603</u>	<u>964,742</u>
The names of directors of the Co-operative who have held office during the financial year are set out in the Report of Directors.		
<b>Note 7 : Cash and Cash Equivalents</b>		
Cash at bank and on hand	452,029	207,113
<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	452,029	207,113
Cash and cash equivalents	<u>452,029</u>	<u>207,113</u>
Genetics Australia Co-Operative has a fully undrawn bank overdraft facility of \$250,000 at 30 June 2016.		
<b>Note 8: Trade and Other Receivables</b>		
Trade receivables	1,729,471	2,342,390
Loans to directors	6,946	-
Provision for impairment of receivables	(198,252)	(47,387)
	<u>1,538,165</u>	<u>2,295,003</u>
Other receivables	2,273	14,484
	<u>1,540,438</u>	<u>2,309,487</u>
<b>Loans to directors are debts incurred by them or their related entities in the normal course of business as follows:</b>		
(a)	The aggregate amount of credit provided during the financial year to directors, classified by nature of the terms and conditions that are interest free with 30 day trading terms, is \$9,691.	
(b)	The aggregate of repayments received during the financial year from directors, classified by nature of the terms and conditions that are interest free with 30 day trading terms, is \$2,745.	
<b>Movement in provision for impairment of receivables</b>		
Opening balance	(47,387)	(54,682)
Movement in year	(865)	7,295
Closing balance under AASB 139	(48,252)	(47,387)
Adjustment made on account of AASB 9	(150,000)	-
Closing balance	<u>(198,252)</u>	<u>(47,387)</u>
<b>Note 9: Inventories</b>		
Semen at net realisable value	913,536	1,287,723
Merchandise at net realisable value	690,012	512,640
	<u>1,603,548</u>	<u>1,800,363</u>
Provision for Stock Write Offs	(61,028)	(493,708)
	<u>1,542,520</u>	<u>1,306,655</u>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>Note 10 : Other Assets</b>		
Prepayments	67,347	115,178
	67,347	115,178

### **Note 11 : Assets held for sale**

Assets held for sale	-	308,296
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Land and buildings classified as held for sale during the previous reporting period were measured at the lower of the carrying amount and fair value less costs to sell at the time of reclassification.

### **Note 12 : Financial Assets**

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

### **Note 13 : Property, Plant & Equipment, Motor Vehicles and Livestock**

Land and Buildings - at fair value	11,200,000	11,699,143
less accumulated depreciation	-	(2,020,689)
Total Land and Buildings	11,200,000	9,678,454
Plant, Equipment & Motor Vehicles - at cost	4,573,963	4,452,037
less accumulated depreciation	(3,985,837)	(3,853,337)
Total Plant, Equipment & Motor Vehicles	588,126	598,700
Total Property, Plant & Equipment	11,788,126	10,277,154
Livestock- at cost	1,230,659	1,341,148
less accumulated depreciation	(473,318)	(545,875)
Total livestock	757,341	795,273
Total	12,545,467	11,072,427

	Land and Buildings	Plant, Equipment & Motor Vehicles	Livestock	Total
Balance at 30th June 2015	9,678,454	598,700	795,273	11,072,427
Additions	22,800	182,557	238,350	443,707
Asset revaluation	1,540,378	-	-	1,540,378
Disposal - written-down value	-	-	(79,600)	(79,600)
Depreciation expense	(41,632)	(193,131)	(196,682)	(431,445)
Carrying amount at 30th June 2016	11,200,000	588,126	757,341	12,545,467

### **Asset revaluations - Land and Buildings**

The directors revalued land and buildings of the Co-operative at 30 June 2016. This directors' valuation was supported by recent independent valuations performed on the properties in June 2016. The total increase in the carrying value of the land and buildings was \$1,540,378. The revaluation increment was credited directly to the asset revaluation reserve net of any income tax effect.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<b>Note 14 : Intangibles</b>		
Trademarks	15,843	15,843
	15,843	15,843

## Movements in intangibles

	Trademarks	Total
Balance at 30th June 2015	15,843	15,843
Carrying amount at 30th June 2016	15,843	15,843

## Note 15 : Trade and Other Payables

	2016 \$	2015 \$
Current		
Trade payables	1,308,370	1,391,556
Sundry payables and accrued expenses	381,050	436,940
	1,689,420	1,828,496

## Note 16 : Financial Liabilities

Current		
Finance Loan - Hire Purchase/Chattel Mortgage	15,505	76,719
	15,505	76,719
Non-current		
Bank loan secured	1,900,000	2,000,000
Finance Loan - Hire Purchase/Chattel Mortgage	-	31,992
	1,900,000	2,031,992
(a) Total current and non-current secured liabilities:		
Bank loan	1,900,000	2,000,000
Hire Purchase/Chattel Mortgage	15,505	108,711
	1,915,505	2,108,711
(b) The carrying amounts of non-current assets pledged as security are:		
First mortgage		
- Freehold land and buildings	3,000,000	5,153,863
Hire Purchase/Chattel Mortgage		
- Motor Vehicles	19,013	106,881
	3,019,013	5,260,744

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 17 : Other Financial Liabilities

Current		
Debentures repayable within 12 months	8,802	5,548
Non-current		
Debentures repayable after 12 months	79,394	97,693
	88,196	103,241

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
<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	(2,488,633)	(2,065,499)
Provisions	141,883	125,063
Income tax losses	1,513,768	1,370,094
Other	60,810	231,142
	<u>(772,172)</u>	<u>(339,200)</u>
<b>b) Reconciliations</b>		
<b>Gross Movements</b>		
The overall movements in deferred tax account is as follows:		
Opening balance	(339,200)	(329,440)
Credited (charged) to the income statement	(9,362)	(9,760)
Credited (charges) to asset revaluation reserve	(423,610)	-
Closing balance	<u>(772,172)</u>	<u>(339,200)</u>
<b>Note 19 : Provisions</b>		
Current		
Annual Leave	151,549	124,396
Long Service Leave	316,727	290,680
	<u>468,276</u>	<u>415,076</u>
Non Current		
Long Service Leave	4,668	1,799
	<u>4,668</u>	<u>1,799</u>
Aggregate employee entitlements liability	<u>472,944</u>	<u>416,875</u>
Employee Benefits		
Opening balance at beginning of year	416,875	420,253
Amounts used	(164,630)	(224,888)
Additional provisions raised during the year	220,699	221,510
Balance at end of year	<u>472,944</u>	<u>416,875</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.

## 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 2016

Note	2016 \$	2015 \$
<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	15,856	83,726
- later than one year but not later than two years	-	32,589
- later than two years but not later than five years	-	-
- Less interest paid	(351)	(7,604)
	<u>15,505</u>	<u>108,711</u>

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

Livestock	-	80,500
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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:

#### Financial Assets:

Cash and cash equivalents	7	452,029	207,113
Receivables	8	1,540,438	2,309,487
Financial Assets	12	20	20
<b>Total Financial Assets</b>		<u>1,992,487</u>	<u>2,516,620</u>

#### Financial Liabilities:

Financial liabilities at amortised cost:

- Trade and other payables	15	1,689,420	1,828,496
- Bank loans - secured	16	1,900,000	2,000,000
- Debentures	17	79,394	97,693
<b>Total Financial Liabilities and Debentures</b>		<u>3,668,814</u>	<u>3,926,189</u>

### Notes 23 : Members Interest

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

Opening balance - 123,197 partly paid shares	163,617	166,323
Shares issued during the year	6,445	62,756
Shares cancelled/redeemed/forfeited during the year	(46,352)	(65,462)
Closing balance - 61,920 fully and partly paid shares	<u>123,710</u>	<u>163,617</u>
	<b>2016</b>	<b>2015</b>
Number of Members	1,177	2,352
Number of Shares forfeited under Part 2 of the Co-operative National Application Act 2013	62,927	-

### 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 6 to 22 are in accordance with the Co-operative National Law Application Act 2013 and the Corporations Act 2001 and:
  - (a) comply with Accounting Standards - Reduced Disclosure Requirements; and
  - (b) give a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date.
2. In the Directors opinion there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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



**TREVOR HENRY**  
**CHAIRMAN**



**CRAIG DRAKE**  
**DEPUTY CHAIRMAN**

Dated this 24th day of October 2016

# AUDIT REPORT

## FOR THE YEAR ENDED 30 JUNE 2016



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

#### Report on the Financial Report

We have audited the accompanying financial report of Genetics Australia Co-operative Limited (the Co-operative), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Co-operative.

#### *Directors' Responsibility for the Financial Report*

The Directors of the Co-operative are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, Co-operative National Law Application Act 2013 and the Corporations Act 2001. The directors' responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 Co-operative'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 Co-operative'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 applicable independence requirements of the *Corporations Act 2001*.

#### *Opinion*

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

- (i) giving a true and fair view of the Co-operative's financial position as at 30 June 2016 and of its performance and its cash flows for the year ended on that date; and
- (ii) complying with the Australian Accounting Standards – Reduced Disclosure Requirements, and the Corporations Regulations 2001.

**ShineWing Australia**  
Chartered Accountants

M J Schofield  
Partner

Melbourne, 24 October 2016



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

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**Directors as at 24/10/2016**

Trevor Henry (Chairman) Maffra, Vic.  
Craig Drake (Deputy Chairman) Dip. Ag. Sci., Dip. Farm Man., FAICD Allansford, Vic.  
Daniel Cochrane Dip. Ag. Longreach, NSW  
Anthony Doyle Bbus. Wallacedale, Vic.  
Ross Gordon Dip. Farm Man. Cohuna, Vic.  
Stuart Horsburgh B. Comm, CA Mt. Waverley, Vic.  
Rohan Sprunt Bbus. Kaarimba, Vic.

