

Genetics Australia Co-operative Limited

# 2018-2019 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.

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## **Rohan Sprunt**

Bbus.  
Kaarimba, Vic.

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

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## **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.

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## **John Pekin**

Adv. Dip. Ag., BAgBus.Mgt.  
Kolora, Vic.

John was elected to the Board in November 2016. John has an Advanced Diploma of Agriculture and a Bachelor of Agricultural Business Management. He is a strong advocate of Genetics Australia products and has progeny tested for over 20 years. He worked for Western Herd Improvement as an AI technician for 10 years in local dairy herds and conducted/managed synchronised AI programs in beef herds in Victoria and interstate. John is chairman of the Animal Health & Welfare Committee.

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## **Anthony Doyle**

Bbus.  
Wallacedale, Vic.

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

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## **Tim Humphris**

BVSc., MVetSt.  
Nirranda South, Vic.

Tim was elected to the board November 2018, he has a Bachelor of Veterinary Science and a degree for Master of Veterinary Studies in Veterinary Clinical Sciences Dairy Medicine and Management. Tim is a committee member of the Standing Committee on Genetics Evaluation with Datagene as well as being a project leader of the InCalf Project, Dairy Australia. Tim has been a dairy farm owner/operator for over ten years, is a member of Holstein and ARDB societies and a regular participant in Murray Dairy/Dairy Australia extension programs.

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## **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.

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# CHAIRMAN'S REPORT

**On behalf of the Genetics Australia Board, I am pleased to present this review of the 2018 – 2019 financial year. Our industry continues to experience less than ideal conditions, although milk price has improved, however farmer confidence has not. The agribusiness sector of the dairy industry is feeling the effects of this prolonged downturn and no business appears to be immune. In saying that, Genetics Australia continues to deliver on our mission and values providing Australian farmers with world class genetics at sensible prices.**

This financial year has seen your co-operative and subsidiaries make a profit of \$232,443 which includes rebates of \$74,752 paid to our shareholders. Your co-operative is still in good shape as our asset backing remains strong. We are committed to our strategic plan, the cornerstone of which is the development of world class Australian grazing genetics. At the same time, we continue to work with our partners overseas to source product and utilise synergies that exist between our organisations. We are continuing to invest in people and programs in order to enhance our business and our products.

This year saw the long-awaited implementation of the GESNP ABV platform by DataGene. GESNP allows DataGene to produce breeding values with much greater efficiency with the flow on effect for our business being more timely decision making. Some of the adjustments and enhancements made at the same time have led to improved breeding value accuracy which benefits everybody. Unfortunately for Genetics Australia, the delayed implementation of GESNP meant that several of our elite young sires were also delayed in arriving at the collection centre as the purchase decisions could not be made until the GESNP breeding values were available. The BPI index forms the foundation of our bull selection processes, but it is not the only focus with traits such as fertility, health and type still playing a significant role in product development. Our aim is to produce genetics geared for Australian farming conditions and we are pleased with the results with Australian bred Genetics Australia sires competing more than favourably with their imported counterparts on the ABV lists and in the Good Bulls Guide.

With the shift in usage towards genomic product continuing, we need to ensure that all our bulls achieve a daughter based ABV in the future allowing them to develop into the reliable alternative to the high-flying young sire. With this in mind, we have revamped our Horizon Genomic Program to ensure optimal distribution of our young sires. Not every young sire purchased captures the market's imagination, so it is important that they receive enough distribution to ensure that their genetic merit can be fully evaluated. We also need to remind ourselves that in this era of genomics, we need to still gather data to validate the genomic results and update the genomic models. I would like to acknowledge our progeny test members for their ongoing support of Genetics Australia and the industry. We remain committed to ensuring shareholders continue to get priority access to the highest genomic young bulls and this is a feature of our new Horizon Genomic Program for our progeny testers that choose a random allocation.

We remain committed to developing the "Australian Cow" using the best genetics not just from Australia but from around the world. Genomic testing at times can be a drawn-out process and we appreciate breeders for their continued support and patience. In the current climate of massive investment by contemporaries overseas, our breeders should be recognised for their willingness to invest in genetic gain for the betterment of Australian farmers which is resulting in world class Australian genetics. Our bull breeders are a vital part of Genetics Australia's success and our offering across the three dairy breeds has rarely been stronger both at a proven and genomic level. These bulls represent a range of cow families and sire



lines and a diversity of strengths. The "Australian Cow" is gaining favour in markets around the world due to her strength, will to milk, functionality and longevity. It is a vital function of the co-operative that we continue to drive our breeding program to produce profitable genetics for Australian farming conditions.

The sale of the Parwan Park South property is on track and planning for the exit of this property and relocation of its functions is planned to be further developed in the coming year. This is a fantastic deal for your co-operative with the funds from the sale of this property allowing us to develop strategic initiatives that previously may have been out of our reach. The sale agreement allows us to utilise the property for another 4 years before handover and final payment, giving us time to examine the options to accommodate the property's current functions.

The prolonged drought has hit the beef sector hard. Despite this, our beef sales have held up well. We are committed to the further development of this part of our business and look forward to better conditions in this part of the market in the coming 12 months. We will continue to offer the best beef portfolio to our customers, and we are dedicated to improving the penetration of elite AI genetics into the beef sector and growing the number of beef related shareholders joining the Co-operative. The worldwide trend to beef on dairy as a result of greater uptake of genomics and sexed semen has resulted in developing a program called DairyBEEFX. Beef bulls have been purposely selected for use on dairy with an emphasis on short gestation, calving ease, growth and positive carcass as well as high-quality semen.

Our export business is growing exponentially especially with the increased demand from China. The relationships we have developed over time in China are now bearing fruit and we are working hard to keep up the supply of product. Earlier in the year, a delegation including Holstein Australia, Jersey Australia and DataGene attended the China Dairy Conference in Tianjin with us promoting Australian Genetics and the "Australian Cow". This delegation strengthened the perception in China of Australian genetics and the systems that underpin them including our breeding value calculation and research and development capabilities.

# CHAIRMAN'S REPORT - CONTINUED

Our New Zealand business, Genetic Enterprises has given us a fantastic conduit into one of the world's largest markets for genetics. Industry conditions in New Zealand have been somewhat parallel to those in Australia and despite this, the performance of the business has not fulfilled our expectation to date. The continuing demand for Australian product in countries such as South Africa and regions including Latin America gives us confidence that exports will continue to be a strong part of your co-operative into the future.

Genetics Australia cannot operate as an island in this industry and we need strong links with industry partners to ensure our ongoing success. Our relationships with several key industry groups including Dairy Australia, DataGene, Jersey Australia, Australian Red Dairy Breeds, Holstein Australia and NHIA, enable us to ensure the needs of the Co-operative and the shareholders are met. Our industry partners not only provide us with services and support, but also share with us the highs and lows of the dairy industry and we thank them for their support.

We have strongly pursued what we refer to as a "reseller strategy" for several years now. It is our desire to support the reseller network by limiting direct farmer invoice sales. We thank our resellers for their ongoing support. The role they play in our industry providing not only product but services, is critical to herd improvement and genetic advancement.

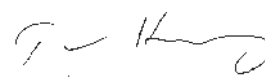
I would like to congratulate Anthony Shelly our Chief Executive Officer for guiding our business through difficult times. Anthony has a strong focus on taking the business to the next level and his leadership and relationship building skills are a vital ingredient in achieving many of our strategic goals. I would also like to thank our Management team for their efforts in the past year. We have a great team of committed, professional staff who drive the business from the farm right through

to finance and administration. I would like to thank them, one and all for their efforts throughout the year.

I would also like to extend my sincere appreciation to my fellow directors for their support and friendship over the past year. It has been a difficult year for anyone involved in the dairy industry and I thank our dedicated Board for giving up their time to make Genetics Australia the best it can be. We have a strong strategic plan backed by our Board and a single vision to ensure Genetics Australia maintains its position as a strong industry provider.

We also appreciate the contribution of our auditors Shine Wing and our bankers the NAB for their continued support and understanding of the industry we are in and the role of the co-operative. The co-operative holds a unique position in the Australian herd improvement industry and their support and guidance is highly valued by the Board.

Finally, thank you to my family for their support. The Chairman's role can be time consuming and distraction from family and the family business. I would also like to thank our suppliers, reseller customers, shareholders and farmers. Genetics Australia is not just the shareholder's Co-operative, but it is an industry asset and your continued support allows us to deliver on our promise of providing the best genetics for Australian farming conditions at realistic prices.



**TREVOR HENRY**  
**CHAIRMAN**

## CHIEF EXECUTIVE OFFICER'S REVIEW

### FINANCIAL OVERVIEW

Genetics Australia Co-operative and its subsidiaries returned a profit after Tax for 2018/19 of \$232,443 on Revenues of \$9,642,725. This was an improvement of \$481,941 on the previous year.

The net asset base of the Co-operative and its subsidiaries remains strong and healthy at \$10,876,500 an increase of \$232,943 vs 2017/18 with a positive cash position of \$286,098.

### KEY BUSINESS ACTIVITIES

#### SALES AND MARKETING:

Depressed industry condition continued this year with erratic rainfall and abnormally high input costs. The flow on effects of this are obvious. Despite this, your Co-operative continues to maintain its market share in a very competitive marketplace.

Genetics Australia continues to offer the widest range of product to the dairy industry. Whether you are looking for the highest Profit Sires, sires for cross-breeding or sires that can breed the next show winner, you can find plenty of great options in our current product offering.

We continue to build strong relationships with our key reseller customers to ensure our product is at the forefront of their offering. Our deliberate "reseller strategy" aims to support the reseller network in Australia as they perform a vital role in our industry and we thank them for their ongoing support.

We continue to consolidate our field sales representation to ensure we can provide you with the right service and support to both farmer and reseller customers. I would like to thank all our sales team for the professional way they have conducted themselves and their dedication and efforts during a challenging time in our industry.

In the ever-changing digital world, we continue to ramp up our digital communication through our website, Facebook page and other means. We have had an overall positive response to our revamped website. Our aim is to keep it updated with the latest information in the timeliest manner. We have consolidated our Facebook pages into one page, and this has met with a positive response.

#### SHAREHOLDER ACTIVITY:

Our shareholding remains static in an industry where farmer numbers is declining. Your Co-operative is committed to providing cost effective solutions to your breeding needs and urge you to take advantage of our competitively priced products as a way of continuing to achieve your herd improvement goals.

#### DOMESTIC SIRES:

The procurement of local sires remains a cornerstone of our strategic plan. Our locally developed sires are competing with the best product from around the world and it is a credit to our breeders that our product competes so strongly. Our focus remains on producing the highest BPI bulls with the right mix of production, health, survival and type characteristics. Traits such as A2 and polled are having a greater

say in our selection process as we strive to provide the product the market demands. The performance of our bulls in the April 2019 ABV run indicates that we are hitting our targets in this space. We will continue to source the best local genetics across all the dairy breeds.

Our exciting new young sires including, PEMBERTON, ENDGAME and TEXMEX are great examples of what we are aiming for in our new young sires – high BPI, diverse pedigrees and a range of feature traits. We wish to acknowledge the work of our dedicated breeders in providing us with such a solid group of young sires. In particular I would like to highlight the efforts of Ray Kitchen of Carenda Holsteins in Boyanup in WA who supplied 5 young sires to this year's team.

MAEBULL is the number one bull in the Holstein daughter proven rankings with a great combination of production and health traits leading to a solid BPI rating. Supported by MICROCHIP and the veteran CHRISTMAS our daughter proven line-up provides strong options for those looking for greater reliability.

The Jersey breed is growing in demand around the world and we are on the continual lookout for new and exciting profitable genetics. Australian Jerseys continue to punch above their weight on the global stage. Genetics Australia is home to the number one BPI Jersey sire in DOUGGAN as well as a great diverse range of young sire that can meet the needs of most Jersey enthusiasts. Our proven lineup is headed by the type specialist VALIN and the ever-popular polled sire AUSSIEGOLD and his maternal brother POLLEDGOLD. These outstanding sires are complimented by a solid group of genomic sires with a range of production, type and health traits.

Our Aussie Red program continues to bear fruit with ARBCYGNET leading the way in the daughter proven stakes. He is joined by a blend of new young sires selected using preliminary genomic technology for the Aussie Red breed.

I would like to thank our Production, Farm, Laboratory and Animal Health Team for their hard work in maintaining a large bull population to the highest standard of health and for producing a product with fertility second to none. Genetics Australia runs a unique farming operation and it is a credit to the team for the way they manage our key livestock and land assets.

#### **INTERNATIONAL SIRES:**

We value our relationship with key suppliers WWS, Jetstream, Super Brown, Inseme, Intermizoo and Sex Technologies and thank them for their support over the past year. Our international product offering has never been stronger and features some of the best genetics that can be sourced from anywhere in the world. We recognize that farmers want choice and we continue to provide quality product offerings from overseas. We also recognize that it is important to maintain a diversity of bloodlines in our population and our imported product contributes to this especially in the breeds with smaller populations.

#### **BEEF SIRES:**

The prolonged drought has impacted our beef sales with the areas hardest hit being those where much of our product is used. Despite this, we continue to source the best local and overseas sires to ensure we have a diverse, vibrant and relevant like-up of sires. Beef remains an important part of the co-operative's overall strategy and we will continue to identify opportunities to expand our beef offering to meet the needs of beef producers around Australia.

#### **EXPORT BUSINESS:**

Australian genetics are kicking goals in many markets around the world. Our sales in China continue to increase and we have committed significant resource to growing this market. I would like

to take this opportunity to thank all those involved in making China an important market for the co-operative as well as the confidence by our Board in their encouragement in expanding our business into this important country. South Africa, South America, New Zealand and other countries that operate similar production systems to Australia continue to be key targets. Our Genetic Enterprises business in New Zealand is consolidating its presence in a very competitive market and our sales of Australian product through this business is on the rise.

Our bulls have surplus capacity and while the genetics market is full of challenges and extremely competitive, exports help offset the all too frequent domestic down turns. We remain committed to continue to explore opportunities and markets for our world class genetics.



#### **OTHER PRODUCTS:**

Our merchandise portfolio is important to our overall performance and we remain on the lookout for quality products that will value add to our overall business. The reproductive and cow health monitoring system Herd Insights continues to capture the imagination of the activity monitor market due to its superior algorithms and simple plug and play model. Our traditional product offering includes some of the best products in their categories including the heat detection products Estroprotect heat patches and FIL tail paint. Merchandise sales continue to grow and are an important contributor the Co-operative's bottom line.

Our industry continuously throws challenges at us. Drought conditions, high input prices and the volatility of the world milk market all add to the uncertainty that we face each year. Despite this we remain committed to provide World Class genetics and breeding products to our shareholders and customers.

Finally, I thank the Board of Directors and my Management Team for their support over the past 12 months. Most of all I would like to thank our shareholders, customers, resellers and suppliers for their ongoing support. Our aim is to create productive relationships for the benefit of all involved. On behalf of the Genetics Australia team, we extend our best wishes for the year ahead.



**ANTHONY SHELLY**  
**CHIEF EXECUTIVE OFFICER**

# DIRECTORS' REPORT

The Directors of Genetics Australia Co-operative Limited (the Co-operative) present their report together with the audited financial statements of the consolidated entity, being Genetics Australia Co-operative Limited and its controlled entities (the Group), for the financial year ended 30th June, 2019.

## DIRECTORS

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

Trevor Henry (Chairman)  
Craig Drake (Deputy Chairman)  
Daniel Cochrane (retired 19 November 2018)  
Anthony Doyle  
Stuart Horsburgh  
Timothy Humphris (elected 19 November 2018)  
John Pekin  
Rohan Sprunt

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

## PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group during the financial year were the proving and sale of genetically superior bull semen for Australian and New Zealand conditions and the sale of other related items to Australian and New Zealand Dairy, Meat and Livestock Farmers. The sale of bull semen to the global market is also considered a key activity of the group.

No significant changes in the nature of the Co-operative's activities occurred during the financial year.

## OPERATING RESULTS

The net profit of the Group after providing for income tax amounted to \$244,822 (2018 net loss of \$374,576) Other comprehensive loss net of income tax is \$12,379 (2018 net operating income net of income tax of \$125,079)

Total comprehensive profit for the year is \$232,443 (2018 total comprehensive loss of \$249,497)

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

## DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

## EVENTS AFTER THE REPORTING DATE

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

## ENVIRONMENTAL ISSUES

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth of a state or territory of Australia or in any other jurisdiction in which it operates.

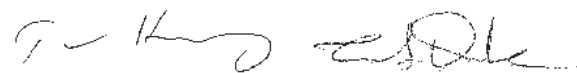
## INDEMNIFICATION AND INSURANCE OF OFFICERS

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

## AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the financial year ended 30 June 2019 has been received and can be found on page 5 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors:



**TREVOR HENRY**  
CHAIRMAN

**CRAIG DRAKE**  
DEPUTY CHAIRMAN

Bacchus Marsh 23rd day of September, 2019

# MEETINGS OF DIRECTORS

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

## BOARD MEETINGS

Director	Eligible to Attend	Attended
T Henry	11	11
C Drake	11	11
D Cochrane	5	5
A Doyle	11	10
S Horsburgh	11	11
T Humphris	6	6
J Pekin	11	10
R Sprunt	11	11

## AUDIT & RISK MANAGEMENT MEETINGS

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

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

# AUDITOR'S DECLARATION



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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- 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 23rd day of September 2019  
Level 10, 530 Collins Street, Melbourne, VIC, 3000

Liability limited by a scheme approved under Professional Standards Legislation.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 \$	Consolidated 2018 \$
Sales Revenue	4	9,642,725	9,159,856
Cost of Sales		(4,905,243)	(3,846,636)
Gross Profit		4,737,482	5,313,220
Other income	4	2,191,551	99,428
Employee benefits expense		(3,001,414)	(2,695,654)
Depreciation and amortisation expense	5(a)	(488,112)	(446,110)
Goodwill on acquisition written off	5(a)	(75,445)	-
Finance costs	5(a)	(121,171)	(136,151)
Shareholders benefits		(74,752)	(26,669)
Other expenses		(2,629,256)	(2,591,006)
Profit/(Loss) before Income Tax	5	538,883	(482,942)
Income tax benefit/ (expense)	6	(294,061)	108,366
<b>Net Profit (Loss) for the year</b>		244,822	(374,576)
<b>Other Comprehensive Income (net of income tax)</b>			
<b>Item that will not be reclassified to profit or loss</b>			
Adjustment to future tax liability that has arisen from revaluing property, plant and equipment following a review on how an asset will be realized.		-	134,861
Foreign exchange (loss) arising on consolidation		(12,379)	(9,782)
<b>Other Comprehensive Income/ (loss) for the year, net of income tax</b>		(12,379)	125,079
<b>Total Comprehensive Income/ (loss) for the year</b>		<b>232,443</b>	<b>(249,497)</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	Consolidated 2019 \$	Consolidated 2018 \$
<b>Current Assets</b>			
Cash and cash equivalents	9	286,098	379,528
Receivables	10	1,893,280	1,480,915
Inventories	11	2,143,491	1,595,519
Other assets	12	102,058	91,176
<b>Total Current Assets</b>		<b>4,424,927</b>	<b>3,547,138</b>
<b>Non-Current Assets</b>			
Property	13	11,231,358	11,316,244
Plant & equipment, and motor vehicles	13	559,809	557,830
Livestock	13	612,260	616,745
Deferred tax assets	18	-	32,197
Intangibles	14	18,844	94,289
<b>Total Non-Current Assets</b>		<b>12,422,271</b>	<b>12,617,305</b>
<b>Total Assets</b>		<b>16,847,198</b>	<b>16,164,443</b>
<b>Current Liabilities</b>			
Trade and other payables	15	2,029,301	1,776,199
Other financial liabilities	17	35	11,053
Provisions	19	461,009	464,512
<b>Total Current Liabilities</b>		<b>2,490,345</b>	<b>2,251,764</b>
<b>Non-Current Liabilities</b>			
Trade and other payables	15	292,500	-
Financial liabilities	16	2,250,000	2,600,000
Other financial liabilities	17	75,741	56,981
Deferred tax liabilities	18	736,421	475,056
Provisions	19	19,351	11,744
<b>Total Non-Current Liabilities before member's share capital</b>		<b>3,374,013</b>	<b>3,143,781</b>
Member's interest	23	106,340	125,340
<b>Total Non-Current Liabilities</b>		<b>3,480,353</b>	<b>3,269,121</b>
<b>Total Liabilities</b>		<b>5,970,698</b>	<b>5,520,885</b>
<b>Net Assets</b>		<b>10,876,500</b>	<b>10,643,558</b>
<b>Equity attributable to owners of the parent company</b>			
Reserves	23	6,313,473	6,325,353
Retained earnings		4,563,027	4,318,205
<b>Total Equity</b>		<b>10,876,500</b>	<b>10,643,558</b>

The accompanying notes form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Retained Earnings \$	General Revenue \$	Asset Revaluation Reserve \$	Foreign Currency Translation Reserve \$	Total \$
<b>Consolidated balance at 1 July 2017</b>	4,692,781	1,307,561	4,892,713	-	10,893,055
Exchange differences on translating foreign operations	-	-	-	(9,782)	(9,782)
Increase during the year arising from a deferred tax amendment to a revalued property following a review on how the asset will be realized.	-	-	134,861	-	134,861
Loss for the year	(374,576)	-	-	-	(374,576)
<b>Consolidated balance at 30 June 2018</b>	4,318,205	1,307,561	5,027,574	(9,782)	10,643,558
Exchange differences on translating foreign operations	-	-	-	(11,880)	(11,880)
Profit for the year	244,822	-	-	-	244,822
<b>Consolidated balance at 30 June 2019</b>	4,563,027	1,307,561	5,027,574	(21,662)	10,876,500

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

Note	Consolidated 2019 \$	Consolidated 2018 \$
<b>Cash Flow from Operating Activities</b>		
Receipts from customers and other income	9,228,161	9,314,742
Payments to suppliers and employees	(10,617,614)	(9,021,888)
Finance costs paid	(121,171)	(136,151)
Net cash provided by/(used in) operating activities	(1,510,624)	156,703
<b>Cash Flow from Investing Activities</b>		
Proceeds from sale of property, plant, equipment, motor vehicles and livestock	91,360	192,401
Proceeds from receipt of non-refundable deposits	2,193,750	-
Payments for property, plant, equipment, motor vehicles and livestock	(494,279)	(598,701)
Payment for purchase of business assets	-	(34,627)
Payments for intangibles	-	(75,445)
Net cash flows provided by/(used in) investing activities	1,790,831	(516,372)
<b>Cash Flow from Financing Activities</b>		
Proceeds from share issues	1,200	300
Payment for share cancellation/redemption	(20,200)	(700)
Payment in respect of debenture holders	7,742	(11,010)
Net receipt/(repayment) of borrowings	(350,000)	450,000
Exchange differences on cash and cash equivalents	(12,379)	(9,283)
Net cash provided by/(used in) financing activities	(373,637)	429,307
Net increase/(decrease) in cash held	(93,430)	69,638
Cash at beginning of financial year	379,528	309,890
Cash and cash equivalents at the end of the financial year	286,098	379,528

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### About this Report

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

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

The consolidated financial statements for the year ended 30 June 2019 were approved and authorised for issue by the Board of Directors on 23rd September, 2019.

Comparatives are consistent with prior years, unless otherwise stated.

### Note 1: Basis of Preparation and Consolidation

The Group has elected to adopt Australian Accounting Standards - Reduced Disclosure Requirements as set out in AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are presented throughout the notes and have been consistently applied unless otherwise stated.

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

The Group financial statements consolidate those of the Parent Company and all of its subsidiaries as at 30 June 2019. All transactions and balances between group companies are eliminated on consolidation. The consolidated financial statements are presented in Australian Dollars (\$) which is also the functional currency of the parent company. All assets, liabilities and transactions of Group entities with a functional currency other than \$A are translated into \$A upon consolidation. Income and expenses of a foreign operation have been translated into \$A at the average rate over the reporting period. Non-monetary items have been translated at year-end based on historic costs (translated using the exchange rate at the date of the transaction) whilst monetary items are translated using the exchange rate at balance date. Exchange differences are charged and/or credited to other comprehensive income and recognised in foreign currency translation reserve in equity.

### Note 2: Critical accounting estimates and judgements

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The significant estimates and judgements made have been described below.

#### Key estimates

##### *i) Employee Entitlements*

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

#### Key judgements

##### *(i) Impairment*

The Group assessed that impairment indicators existed for the New Zealand entity. An impairment test was performed and as a result, the decision was made to fully impair goodwill amounts relating to the acquisition of the New Zealand entity.

##### *(ii) Provision for inventories*

The inventory held is reviewed on a regular basis to determine whether there is any old, damaged or obsolete stock or other stock items which need to be written down to NRV.

At the year end management have estimated that a provision of \$162,670 (2018 \$45,941) is required to cover any obsolescence of inventory.

### Note 3: Adoption of new and revised accounting standards

The Group has adopted all standards which became effective for the first time at 30 June 2019, the adoption of these standards has not caused any material adjustments to the reported financial position, performance or cash flow of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 4 : Revenue

	Consolidated 2019 \$	Consolidated 2018 \$
Sales Revenue		
sale of goods	9,084,938	8,908,007
genetic and other services	557,787	251,849
Total sales revenue	9,642,725	9,159,856
Other income		
export grant	-	47,980
gain on disposal of plant and equipment and livestock	(2,199)	51,448
gain on non-refundable deposits received re sale of land (see note below)	2,193,750	-
Total other income	2,191,551	99,428

As disclosed in last year's accounts the group entered a terms contract on 16 May 2018 to dispose of one of its farm properties known as Parwan Park South for the sum of \$14.625 million. The group will retain use of the property until the end of the term and it is not anticipated that title will transfer until that time although the purchaser has the right to request an earlier transfer of title. Funds raised from the sale, net of selling expenses and capital gains tax, will enable the group over time to reduce debt and to rationalise and improve its operations with strategic investments in infrastructure, systems and livestock.

During this financial year the contract became unconditional following a vote in favour of the proposal by shareholders and all obligations on Genetics Australia have been fulfilled. Two non-refundable deposits were received in the year by the Group in accordance with the contract. An additional 10 per cent is due in November 2019 with the balance expected at May 2023

The gain on non-refundable deposits received re sale of land of \$ 2,193,750 is comprised of :

Non-refundable deposits	2,925,000	-
Commission and other costs payable to Stockdale and Leggo	(731,250)	-
	2,193,750	-

Stockdale and Leggo handled the sale of the property on behalf of the group and one of their agents is the brother of the CEO of the parent company of the group. In recognition of the relationship between the parties, the directors of the parent company ensured that the CEO had no involvement in the sale process or any discussions pertaining to it until after the contract was signed.

### Accounting treatment

The Entities within the Group have applied AASB 15 using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under AASB 118. The details of accounting policies under AASB 118 are disclosed separately since they differ from those under AASB 15.

### In the comparative period

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the Group and specific criteria relating to the type of revenue as noted below, has been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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

#### *Sale of goods*

Revenue is recognised on transfer of goods to the customer as this is deemed the point in time when risks and rewards are transferred and there is no longer any ownership or effective control over the goods.

#### *Genetic and other services*

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

#### *Other income*

Other income is recognised on an accrual basis when the Group is entitled to it.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### In the current period

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised based on the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entities within the group expect to be entitled to.

Revenue is recognised in accordance with the following five-step process:-

- 1 Identifying the contract with the customer.
- 2 Identifying the performance obligations in the contract.
- 3 Determining the transaction price.
- 4 Allocating the transaction price to the performance obligations in the contract.
- 5 Recognising revenue as and when the performance obligations are recognised.

Variable consideration in contracts such as performance incentives, penalties and bonuses (including those which are contingent) are estimated using either the expected value method or most likely amount method, as appropriate to the circumstances and recognised as revenue at each reporting periods until the contracts are settled.

If the transaction price includes a significant financing component and the contract is longer than 12 months, it is discounted using a discount rate reflecting the credit quality of the customer after considering any collateral or security made available to the entities within the group.

Any difference between the stand-alone selling prices of the promised goods or services and the promised consideration on the contract is treated as a discount and allocated proportionately to the performance obligations in the contracts.

Revenue is recognised either at a point in time or over time, when (or as) the Group Entity satisfies performance obligations by transferring the promised goods or services to its customers.

The Entities within the Group recognise contract liabilities for consideration received for unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly if the Group Entity has completed a performance obligation before it receives the consideration, the Group Entity recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

#### *Interest Revenue*

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 5 : Profit/(Loss) before Income Tax

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

#### a. Expenses

Stock Writedown

Finance costs - External

Depreciation of non-current assets

Goodwill on acquisition written off

Note	Consolidated 2019 \$	Consolidated 2018 \$
	313,883	65,922
	121,171	136,151
13	488,112	446,110
	75,445	-

### Accounting treatment

#### Finance Cost

Finance cost includes all interest-related expenses.

### Shareholder benefits

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

### Foreign Currency Transactions and Balances

#### Functional and presentation currency

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

#### Transaction and balances

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## Note 6 : Income Tax Expense (Benefit)

	Consolidated 2019 \$	Consolidated 2018 \$
(a) The components of tax expense (benefit) comprise:		
Current tax	-	-
Deferred tax	294,061	(108,366)
	294,061	(108,366)
(b) The prima facia tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facia tax expense (benefit) on profit/(loss) from ordinary activities at prevailing income tax rates	146,557	(133,384)
Add		
Tax effect of:		
-Non-deductible expenses	934	1,462
Future income tax benefit relating to tax losses not recognised as an asset due to uncertainty of recovery:		
-Current year	111,802	-
-prior year	32,696	-
	145,432	1,462
Less:		
Tax effect of:		
-Under/over provision for deferred tax in the prior year	(2,072)	-
-Net effect to deferred tax assets and liabilities on change in taxation rate	-	(23,556)
	(2,072)	(23,556)
Income tax expense/(benefit) attributable to the group for the year	294,061	(108,366)

## Accounting treatment

### Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

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

## Note 7 : Auditors Remuneration

### Remuneration of auditor

-audit for the year ended 30 June  
-other services

32,800	30,000
-	2,000
32,800	32,000

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 8 : Key Management Personnel Remuneration

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

- Directors
- Executives

	Consolidated 2019 \$	Consolidated 2018 \$
	156,259	156,259
	625,309	542,099
	781,568	698,358

Note:-

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

### Note 9 : Cash and Cash Equivalents

Cash at bank and on hand

	286,098	379,528
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#### Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Cash at bank and on hand  
Cash and cash equivalents

	286,098	379,528
	286,098	379,528

The Co-operative has a fully undrawn bank overdraft facility of \$100,000 at 30 June 2019.

#### Accounting treatment

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

### Note 10: Trade and Other Receivables

Trade receivables  
Loans to directors  
Provision for impairment of receivables

	2,029,713	1,645,190
	-	1,146
	(136,433)	(189,229)
	1,893,280	1,457,107

#### Other receivables

Sundry debtors

	-	23,808
	1,893,280	1,480,915

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

(a) The aggregate amount of credit provided during the financial year to directors, classified by nature of the terms and conditions that are interest free with 30 day trading terms, is \$5,705 (2018 \$10,144).

(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 \$6,851 (2018 \$8,998).

#### Movement in provision for impairment of receivables

Opening balance  
Movement in year  
Closing balance

	189,229	189,229
	(52,795)	-
	136,434	189,229

#### Accounting treatment

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at their transaction price (unless there is a significant financing component) less life-time expected credit losses and subsequently measured at amortised cost using the effective interest method.

Refer to Note 22 for further discussion on the determination of impairment losses.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 11: Inventories

	Consolidated 2019 \$	Consolidated 2018 \$
Semen at net realisable value	1,410,573	1,324,689
Merchandise at net realisable value	895,188	316,771
	2,305,761	1,641,460
Provision for Stock Write Offs	(162,270)	(45,941)
	2,143,491	1,595,519

### Accounting treatment

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

### Note 12 : Other Assets

Prepayments	102,058	91,176
	102,058	91,176

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

Land and Buildings - at fair value	11,484,983	11,478,769
less accumulated depreciation	(253,625)	(162,525)
Total Land and Buildings	11,231,358	11,316,244
Plant, Equipment & Motor Vehicles - at cost	4,789,791	4,693,728
less accumulated depreciation	(4,229,982)	(4,135,898)
Total Plant, Equipment & Motor Vehicles	559,809	557,830
Total Property, Plant & Equipment	11,791,167	11,874,074
Livestock- at cost	1,049,248	1,020,118
less accumulated depreciation	(436,988)	(403,373)
Total livestock	612,260	616,745
Total	12,403,427	12,490,819

	Land and Buildings	Plant, Equipment & Motor Vehicles	Livestock	Total
Consolidated balance at 30th June 2018	11,316,244	557,830	616,745	12,490,819
Additions	6,215	204,554	283,510	494,279
Disposal - written-down value	-	(11,905)	(81,654)	(93,559)
Depreciation expense	(91,101)	(190,670)	(206,341)	(488,112)
Consolidated carrying amount at 30th June 2019	11,231,358	559,809	612,260	12,403,427

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 13 : Property, Plant & Equipment, Motor Vehicles and Livestock (continued)

#### Accounting treatment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

#### Property

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against revaluation surplus directly in equity; all other decreases are recognised in profit or loss.

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

#### Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses.

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

In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 22 for details of impairment).

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

#### Livestock

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

#### Depreciation

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

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

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Leases

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

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

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

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

### Note 14 : Intangibles

	Consolidated 2019 \$	Consolidated 2018 \$
Trademarks	18,844	18,844
Goodwill	-	75,445
	<u>18,844</u>	<u>94,289</u>

### Movements in intangibles

	Trademarks	Goodwill	Total
Balance at 30th June 2018	18,844	75,445	94,289
Additions	-	-	-
Amount written-off		(75,445)	(75,445)
Carrying amount at 30th June 2019	<u>18,844</u>	<u>-</u>	<u>18,844</u>

### Accounting treatment

#### Intangible Other than Goodwill

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

#### Goodwill

Goodwill represented the future economic benefits arising from the purchase of a business. It was carried at cost and was subject to impairment testing as a result of which the decision was taken to write it off.

### Note 15 : Trade and Other Payables

	Consolidated 2019 \$	Consolidated 2018 \$
Current		
Trade payables	1,655,199	1,408,186
Sundry payables and accrued expenses	374,102	368,013
	<u>2,029,301</u>	<u>1,776,199</u>
Non-current		
Sundry payables and accrued expenses	292,500	-

### Accounting treatment

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

### Goods and Services Tax (GST)

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 16 : Financial Liabilities

Non-current

Bank loan secured

(a) Total current and non-current secured liabilities:  
Bank loan

(b) The carrying amounts of non-current assets pledged as security are:  
First mortgage  
- Freehold land and buildings

	Consolidated 2019 \$	Consolidated 2018 \$
	2,250,000	2,600,000
	2,250,000	2,600,000
	2,250,000	2,600,000
	2,250,000	2,600,000
	8,088,309	8,330,664
	8,088,309	8,330,664

The bank loan is to Genetics Australia Co-operative Limited and the term of the loan expires on 30 September 2022. Genetics Australia Co-operative Limited has met their bank covenants during the reporting period and up to date of signing of the financial statements. There is no requirement for the Group to repay any of the bank loan within 12 months of the reporting date.

### Accounting treatment

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit and loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

### Note 17 : Other Financial Liabilities

Current

Debentures repayable within 12 months

Non-current

Debentures repayable after 12 months

	Consolidated 2019 \$	Consolidated 2018 \$
	35	11,053
	75,741	56,981
	75,776	68,034

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## Note 18 : Tax

### a) Assets (Liabilities)

Deferred tax assets comprise:

Income tax losses not offsettable

Deferred tax liabilities comprise:

Tax allowances relating to  
Property, plant and equipment, motor vehicles and livestock

Provisions

Income tax losses

Other

Net liability

### b) Reconciliations

#### Gross Movements

The overall movements in deferred tax account is as follows:

Consolidated opening balance

Credited (charged) to the income statement

Transferred to asset revaluation reserve following an amendment to deferred tax liability  
resulting from a review on how an asset will be realized.

Foreign exchange conversion difference

Consolidated closing balance

	Consolidated 2019 \$	Consolidated 2018 \$
	-	32,197
	-	32,197
	(2,221,959)	(2,234,881)
	130,127	128,044
	1,807,623	1,526,883
	(452,212)	104,898
	(736,421)	(475,056)
	(736,421)	(442,859)
	(442,859)	(685,587)
	(294,061)	108,366
	-	134,861
	499	(499)
	(736,421)	(442,859)

#### Accounting treatment

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 19 : Provisions

	Consolidated 2019 \$	Consolidated 2018 \$
Current		
Annual Leave	122,771	138,178
Long Service Leave	338,238	326,334
	461,009	464,512
Non Current		
Long Service Leave	19,351	11,744
	19,351	11,744
Aggregate employee entitlements liability	480,360	476,256
Employee Benefits		
Consolidated opening balance at beginning of year	476,256	458,300
Amounts used	(203,591)	(178,800)
Additional provisions raised during the year	207,695	196,756
Consolidated balance at end of year	480,360	476,256

#### Provision for Employee Benefits

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

#### Accounting treatment

##### Provision

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

##### Employee Benefits

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

### Note 20 : Reserves

#### General Reserve

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

#### Asset Revaluation Reserve

The asset revaluation reserve records revaluations of Property.

#### Foreign Currency Translation Reserve

The foreign currency translation reserve records gains and losses arising from translating to Australian dollars the financial statements of foreign operations.

### Note 21 : Capital commitments

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

Plant, Equipment and Motor Vehicles	2,400	-
Livestock	8,500	6,420
	10,900	6,420

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 22 : Financial Risk Management

#### a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable, bank loans and debentures.

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

	Note	Consolidated 2019 \$	Consolidated 2018 \$
<b>Financial Assets:</b>			
Cash and cash equivalents	9	286,098	379,528
Receivables	10	1,893,280	1,480,915
<b>Total Financial Assets</b>		<b>2,179,378</b>	<b>1,860,443</b>
<b>Financial Liabilities:</b>			
Financial liabilities at amortised cost:			
- Trade and other payables	16	2,321,801	1,776,199
- Bank loans - secured	17	2,250,000	2,600,000
- Debentures	18	75,776	68,034
<b>Total Financial Liabilities and Debentures</b>		<b>4,647,577</b>	<b>4,444,232</b>

#### Accounting treatment

#### Financial Instruments

##### Initial recognition and measurement

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

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

##### Classification and subsequent measurement

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

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

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

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

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

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised. Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

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**

Impairment of financial assets is recognised in the form of a loss allowance for expected credit loss. The loss allowance is measured as a life-time expected credit loss if, at the reporting date, the credit risk on that financial instrument has increased significantly since initial recognition. The loss allowance is measured as 12-month expected credit loss if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition.

The entity determines whether there has been a significant increase in credit risk since initial recognition by comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition using reasonable and supportable information, unless the financial instrument is determined to have low credit risk at the reporting date.

Changes in expected credit losses from the previous reporting period are recognised in profit or loss as an impairment gain or loss.

Expected credit losses are measured with reference to the maximum contractual period and considering:

- 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.

Trade receivables (other than government subsidies) are written off if there is objective evidence regarding bankruptcy or insolvency of the debtor and no guarantees are otherwise available from any third party on behalf of the debtor. This is the approach even if enforcement activities have already been initiated. Government subsidies are written off if there is evidence regarding changes in Government policies or non-compliance with the conditions related to the grant that the entity is no longer eligible to the subsidies.

### **Derecognition**

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

### **Impairment of Assets**

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

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

### **Impairment of non-financial assets**

At the end of each reporting period the each Company within the Group determines whether there is an evidence of an impairment indicator for non-financial assets.

Where this indicator exists and regardless for goodwill, indefinite life intangible assets and intangible assets not yet available for use, the recoverable amount of the asset is estimated.

Where assets do not operate independently of other assets, the recoverable amount of the relevant cash-generating unit (CGU) is estimated.

The recoverable amount of an asset or CGU is the higher of the fair value less costs of disposal and the value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in profit or loss.

Reversal indicators are considered in subsequent periods for all assets which have suffered an impairment loss, except for goodwill.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 23 : Members Interest and Equity

#### a) Share Capital:

The details of share capital are as follows:

Opening balance - 62,670 fully and partly paid shares

Shares issued during the year

Shares cancelled/redeemed/forfeited during the year

Closing balance - 50,620 fully paid shares

	Consolidated 2019 \$	Consolidated 2018 \$
Opening balance - 62,670 fully and partly paid shares	125,340	125,740
Shares issued during the year	1,200	300
Shares cancelled/redeemed/forfeited during the year	(20,200)	(700)
Closing balance - 50,620 fully paid shares	106,340	125,340

	2019	2018
Number of Members	963	1,192
Number of Shares forfeited under Part 2 of the Co-operative National Application Act 2013	50	-

#### Accounting treatment

Members share capital is treated as a liability of the Group. Classification in this manner occurs because the Genetics Australia Co-operative Limited must forfeit and ultimately repay share capital that is forfeited under the inactive membership rules contained in the Co-operative National Law Application Act 2013 and the Rules of the Co-operative.

#### b) Components of Equity

The details of reserves are as follows:

	Foreign currency translation reserve	Asset revaluation reserve	General reserve	Total
Consolidated balance at 1 July 2017	-	4,892,713	1,307,561	6,200,274
Other comprehensive income for the year (all attributable to the parent):				
Increase during the year arising from a deferred tax amendment to a revalued property following a review on how the asset will be realized.	-	134,861	-	134,861
Exchange differences on translating foreign operations				
<b>Before tax</b>	9,116	-	-	9,116
Tax benefit	(499)	-	-	(499)
<b>Net of tax</b>	8,617	-	-	8,617
Exchange difference on loan to foreign operation	(18,399)	-	-	(18,399)
Consolidated balance at 30 June 2018	(9,782)	5,027,574	1,307,561	6,325,353
Other comprehensive income for the year (all attributable to the parent):				
Exchange differences on translating foreign operations				
<b>Before tax</b>	(23,864)	-	-	(23,864)
Tax benefit	499	-	-	499
<b>Net of tax</b>	(23,365)	-	-	(23,365)
Exchange difference on loan to foreign operation	11,486	-	-	11,486
Consolidated balance at 30 June 2019	(21,662)	5,027,574	1,307,561	6,313,473

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 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.

### Note 25 : Related Party Transactions

Related parties include the parent company, Genetics Australia Co-operative Limited, its wholly owned subsidiary, Genetics Investments Limited, its wholly owned subsidiary Genetics Australia New Zealand Limited, directors and senior management of the group. Details relating to the companies are set out in Notes 28 and 29 and remuneration of directors and executives is disclosed in Note 8.

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

### Note 26 : Adoption of new and revised accounting standards

#### *AASB 9: Financial Instruments*

In the 2015/16 financial year the Genetics Australia Co-operative Limited elected to early adopt AASB 9 which is applied retrospectively from 1 July 2015. The adoption of AASB 9 resulted in the following changes to the Co-operative's accounting policies:

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

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

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

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

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

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

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

#### *AASB 15 Revenue from Contracts with Customers*

The Entities within the Group have adopted AASB 15 Revenue from Contracts with Customers with a date of initial application of 1 July 2018. As a result, the Group has updated its accounting policy on revenue recognition as detailed in Note 4.

Each Group Entity assessed the impact of adopting AASB 15 on revenue recognised in previous periods. The application of AASB 15 has no impact on the revenue recognition in prior periods and therefore no adjustment was required to the opening balance of equity at 1 July 2018.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2019

### Note 27 : New Accounting Standard for application in future periods.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related interpretations, AASB16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The adoption of these standards are not expected to have a material impact on the Group's consolidated financial statements.

### Note 28 : Composition of the Group

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

Name of subsidiary	Country of incorporation and principal place of business	Principle activity	Proportion of ownership interests held by the Group.	
			2019	2018
Genetic Investments Ltd.	Australia	Investments	100%	100%
Genetics Australia New Zealand Limited	New Zealand	Sale of genetically superior bull semen to the NZ Dairy Industry.	100%	100%

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

## Note 29 : Parent entity information

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

### Statement of Financial Position

Current assets  
Total assets  
Current Liabilities  
Total Liabilities  
Net assets

Retained earnings  
General reserve  
Asset revaluation reserve

### Total equity

### Statement of profit or loss and other comprehensive income

Profit/(Loss) for the year  
Other comprehensive income

### Total comprehensive income

	Consolidated 2019 \$	Consolidated 2018 \$
	5,166,651	3,295,872
	17,481,379	15,773,152
	2,247,179	1,803,510
	6,065,804	5,035,701
	11,415,575	10,737,451
	5,080,438	4,402,314
	1,307,561	1,307,561
	5,027,576	5,027,576
	11,415,575	10,737,451
	678,124	(290,466)
	-	125,079
	678,124	(165,387)

## Note 30 : Events after the reporting date

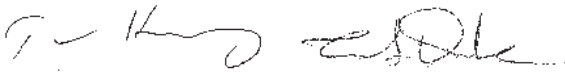
No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

# DIRECTOR'S DECLARATION

The Directors of the Co-operative declare that:

1. The financial statements and notes set out on pages 6 to 26 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 2019 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 23rd day of September 2019

# AUDIT REPORT

## FOR THE YEAR ENDED 30 JUNE 2019



### INDEPENDENT AUDITOR'S REPORT

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

##### *Opinion*

We have audited the financial report of Genetics Australia Co-operative Limited and its controlled entities (the Group) which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

##### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's report.

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

##### *Information Other than the Financial Report and Auditor's Report Thereon*

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

##### *Responsibilities of the Directors for the Financial Report*

The directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the Co-operative National Law Application Act 2013 and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

We conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**ShineWing Australia**  
Chartered Accountants



**M J Schofield**  
Partner

Melbourne, 23 September 2019



**Genetocs**  
**AUSTRALIA**  
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**Directors as at 23/09/2019**

Trevor Henry (Chairman), Maffra, Vic.  
Craig Drake (Deputy Chairman), Allansford, Vic.  
Anthony Doyle, Wallacedale, Vic.  
Stuart Horsburgh, Mt. Waverley, Vic.  
Rohan Sprunt, Kaarimba, Vic.  
John Pekin, Kolora, Vic.  
Tim Humphris, Nirranda South, Vic.