

Genetics Australia Co-operative Limited

2019-2020 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.



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.



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.



John Pekin

BAgrBusMgt., Adv.Dip.Ag.
Kolora, Vic.

John was elected to the Board in November 2016. John has a Bachelor of Agricultural Business Management and an Advanced Diploma of Agriculture. He was a speaker at the 2019 Australian Dairy Conference on the success of genomically testing his herd. 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.



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.

Anthony Doyle resigned as a director on 4th September 2020.



Tim Humphris

BVSc., MVS
Nirranda South, Vic.

Tim was elected to the board in November 2018, he has a Bachelor of Veterinary Science and a degree of Master of Veterinary Studies in Veterinary Clinical Sciences Dairy Medicine and Management. Tim is a committee member of the Standing Committee for Genetics Evaluation with Datagene. After 15 years of working as a dairy veterinarian, Tim has now been farming for the last 12 years. He runs a 450 cow three-way cross dairy herd using Holstein, Jersey and Aussie Red genetics. He is also a member of Holstein Australia and the Australian Red Dairy Breed.



Stuart Horsburgh

B. Comm, CA
Mt. Waverley, Vic.

Appointed to the Board July 2014, he has Commerce Degree and is a member of the Institute of Chartered Accountants in Australia and New Zealand. Stuart has 30 years experience in commerce and business. Stuart is also Chairman of the Audit & Risk Management Committee

CHAIRMAN'S REPORT

On behalf of the Genetics Australia Board, I am pleased to present this review of the 2019 – 2020 year. Improving industry conditions over the past 12 months in South Eastern Australia have been pleasing however, the challenges of milk price, cost of production and adverse seasonal conditions continue to plague producers in other regions. The agribusiness sector of the dairy industry is slowly recovering from the effects of a prolonged downturn as is your co-operative. In saying that, Genetics Australia continues to provide Australian farmers with world class genetics at sensible prices.

This financial year has seen your co-operative make a profit which includes a deposit related to the proceeds of Parwan Park South. We are pleased with an improvement in our overall sales position which is a good result as we work our way out of a depressed market. Your co-operative is still in good shape as our asset backing remains strong and we continue to be committed to our strategic plan, the cornerstone of which is the development of world class Australian grazing genetics.

We continue to work with our partners overseas to source complimentary product to ours to ensure that our shareholders have access to the best range of genetics on the market. We continue to identify and exploit synergies that exist between ourselves and sister organisations which enable us to remain at the forefront of the Australia genetics industry.

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. We have a strong belief across the business that we need to create a grazing cow that is “greener” than the cow of the past. She needs to meet the community expectations from both the environmental and welfare perspective. Our aim is to produce genetics geared towards tomorrows farming conditions and we are pleased with the results with our Australian bred sires competing more than favourably with their imported counterparts on the ABV lists and in the Good Bulls Guide.

We remain committed to developing the “Australian Cow” using the best genetics not just from Australia but from around the world. 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. In a world where genetics is becoming more corporatised, our breeders continue to strive to supply the Australian market with high class genetics that are the equal of anything available from overseas. These bulls come from a wide range of cow families and sire lines and display a diversity of strengths. The “Australian Cow” is gaining favour in markets around the world due to her strength and 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. Our next step is to make her even more “Green” than she is now, by enhancing her disease resistance and feed efficiency characteristics.

Our beef business continues to bounce back as industry conditions begin to improve. The prolonged drought has hit the beef sector hard, but we are pleased that our sales are recovering now as the industry itself recovers. We continue to offer a fantastic beef portfolio derived from the acquisition of the best local genetics supplemented with outstanding sires from our partners overseas. I reaffirm our aim to improve the penetration of elite AI genetics into the beef sector and growing the number of shareholders joining the Co-operative.

Our export focus is delivering dividends to your co-operative. Our sales in China are growing rapidly as our product gains greater acceptance. Our biggest challenge with China is to keep up the supply of product! Unfortunately, Covid-19 has put paid to any promotional visits to China this year, so we have relied heavily on our staff and distributor in China to continue the good work. Our New Zealand business, Genetic Enterprises has been rebranded to Genetics Australia New



Australian Sino China Breeding Platform group

Zealand. This business has given us a fantastic conduit into one of the world’s largest markets for genetics. The continuing demand for an alternative grazing product in New Zealand is fuelling interest in our product and this is also the case in countries such as South Africa and regions including Latin America. As we move further towards the “Green Grazing Cow” we believe that the interest in our product will only increase and it gives us confidence that exports will be a strong part of our business into the future.

Genetics Australia has strong links with industry partners, and this is an essential ingredient to ensure our ongoing success. Dairy Australia, DataGene, Jersey Australia, Australian Red Dairy Breeds, Holstein Australia and NHIA are key industry partners and their symbiotic relationships with Genetics Australia enable us to ensure the needs of the Co-operative and the shareholders are met. We share many of the same members and customers with our industry partners and by working together we can enhance the benefits for our shared customers.

It is our desire to support the distribution network by limiting direct farmer invoice sales. We recognise that we cannot physically service the entire market, making the distributor network a critical part of our success. We thank our distributors 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 these difficult Covid-19 times. 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. Anthony has a strong belief in what the business stands for and this is at the forefront of his thinking both strategically and operationally. Supported by a strong Management Team, Anthony’s leadership skills and business acumen has been critical to the performance of the business in what has been a difficult period.

I would also like to extend my sincere appreciation to my fellow directors for their support and friendship over the past year. We have a strong and dedicated Board that are working for the shareholders to ensure the assets of the business are delivering for them. 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. Our strong strategic plan and a single vision will ensure Genetics Australia maintains its position as a strong industry provider.

Finally, thank you to my family for their support. My absence from the farm business provides a challenge to all of us and without my family, I would not be able to dedicate the time needed to execute this role. I would also like to thank our suppliers, distributor customers, shareholders and farmers. Genetics Australia holds a unique position in the Australian industry as the only co-operative semen producer. We

have a responsibility not just to our shareholders but to our industry as a whole to produce high quality genetics and make them available at sensible prices.



**TREVOR HENRY
CHAIRMAN**

CHIEF EXECUTIVE OFFICER'S REVIEW

FINANCIAL OVERVIEW

Genetics Australia's total comprehensive income for the year was \$2,625,991 on revenue of \$10,771,972. This was an improvement on the previous year of \$2,393,548.

The net asset base of the co-operative remains strong and healthy at \$13,508,398 which is an increase of \$2,631,897 vs 2018/19 with a positive cash position of \$295,209.

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

KEY BUSINESS ACTIVITIES

SALES AND MARKETING:

Improving industry conditions combined with a strong product line-up have contributed to an overall improvement in sales for both domestic and export markets for the past financial year. Despite this, the marketplace remains extremely competitive with semen from all around the world available for purchase. In this environment, our marketing activities become critical to our success.

Genetics Australia continues to offer the widest range of product to the dairy industry. Our domestically sourced bulls are complimented with a great offering from our partners around the world. Whether you are looking for the highest Profit Sires, sires for crossbreeding or sires that can breed the next show winner, you can find plenty of great options in our current product offering.

Our deliberate strategy to support the distributor network in Australia and keep our direct to farmer sales at a minimum, is designed to acknowledge the vital role distributor's perform in our industry, and we thank them for their support. We continue to build strong relationships with our key distributor customers to ensure our product is at the forefront of their offering. Our marketing team has supported this by ensuring that plenty of information is provided to the distributors to ensure they are across our product.

Our sales team continue to support farmers and distributors to ensure that our product meets the needs of our customers. The Covid-19 situation has complicated this somewhat, however the team continue to work within our guidelines to ensure our product is at the forefront of customers thinking. I would like to thank Nathan Mugavin for his time at Genetics Australia. His enthusiasm will be missed, and we wish him well in his return to farming. I would also like to welcome back Graham Heaver. Graham was with us in the late '80's and has come full circle and with us working in the Western Districts. I would like to thank our sales team for the professional way they have conducted themselves during these difficult Covid-19 influenced times.

In the fast-paced digital world, we continue to expand our offering through our website, Facebook page and direct email communication platforms. Our website is a popular source of information with people able to access any amount of information on our bulls and complimentary products. Our consolidated Facebook page is updated regularly with timely and relevant information and we have utilized email platforms over the past 12 months to ensure that the most up to date product offers are landing on farm.

Our Marketing Manager, Claire McKie has recently departed our business and has returned to the home farm to assist her family. Claire has made a fantastic contribution to our marketing effort through her professional approach. I would like to thank Claire and

wish her well in her future endeavors. Kelsie Hore will take on a bigger role in this area and she will be assisted by a range of staff across the business to ensure that we maintain the high level of marketing that you are accustomed to.

SHAREHOLDER ACTIVITY:

We have developed a dedicated shareholder email platform designed to reward our shareholders with special deals and monthly product prize draws. In the first quarter of 2020, we commenced a series of shareholder meetings designed to canvass the views and needs of our shareholders. Unfortunately, Covid-19 put paid to that initiative, however when things return to normal, we hope to resume this program.

The GA2020 conference, was designed to reward and greater inform our shareholders by providing them access to world class speakers talking about the latest trends and technologies from their areas of expertise. Unfortunately, the conference had to be cancelled because of Covid-19, however we were successfully able to deliver a large amount of the content via on-line platforms. We would like to thank all the speakers and participants for making this on-line conference a success. 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 Australian cow is at the forefront of our thinking when procuring local sires. These locally bred bulls can mix it with the best from overseas and are backed by some of the best cows and families Australia has to offer. Our focus remains 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 are the new traits such as feed saved, heat tolerance and mastitis resistance. The combination of these traits is taking us in the direction of breeding the "Green Cow" which is the cow we will need to satisfy the requirements of our social license. Our procurement team, led by our Breeding, Genetics and Production Manager, Peter Thurn, supported strongly by Greg Tiller, Coleman Baulch and Gerard Brislin continue to source the best local genetics across the three key dairy breeds.

Our solid line-up of domestic Holstein genomic sires led by PEMBERTON, PILBARA and SUPERDAVE have been joined by an elite group of young sires that are the equal of the best bulls from around the world. KARAT and his brother KARDEW (Complete x Slam dunk) are high BPI options that also excel for Type. Another pair of brothers SONDALO and TIRANO P (Jeronimo x Main Event) are proving to be popular for their combination of profit and health traits. COLUMBUS P (Hotspot x Contender) is the highest Australian Polled sire with the bonus of being A22. Our exciting new young sires including 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.

Our Proven Sire Lineup lead by MAEBULL (Palermo x Shottle) has been bolstered the addition of GILES (JoSuper x Oman), the number one BPI proven sire in April 2020 and emerging sires MASNAH (MVP x Buddha) and SINGULAR (Uno x Shamrock). These emerging sires are adding more daughters every day and will be great additions to the proven team.

The Jersey space continues to be a challenge around the world as we all look for new and exciting profitable genetics. Australian Jerseys continue to punch above their weight on the global stage. Our proven lineup is headed by the type specialist VALIN (Valentino x Navara) and the ever-popular polled sire AUSSIEGOLD (Elton x Vanahlem). These outstanding proven sires are complimented by a solid group of genomic sires with a range of production, type and health traits. Our new genomic sires for 2020 include possibly the last bull to be purchased from industry stalwarts, Bernie and Carol McManus of Bamawm, Victoria. Long term shareholders, progeny testers and bull breeders, Bernie and Carol have made a huge contribution to the Jersey breed and the wider industry. We wish them well in the next phase of their lives and we indeed hope that BESTYET lives up to his name.

We continue to support the Aussie Red Breed with the acquisition of 4 quality young sires from Australia's best herds. Our Aussie Red proven team led by ARBCYGNET (Foske x Olstad) offer breeders a reliable range of Red genetics with a range of strengths.

I would like to thank our production team including Farm Managers, Phil Bath and Brendan Vallenge, Laboratory Technician, Phuong Nguyen and Animal Health and Export Coordinator, Felicity Searle 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. I wish to acknowledge the work of Emily Cavill our former Lab Manager who has moved to the farm team and Megan Beca our former Animal Health and Export Coordinator who has moved on to another part of the industry for their excellent work in this area.

INTERNATIONAL SIRES:

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. We value our relationship with key suppliers WWS, Jetstream, Inseme, Vogue Cattle, Super Brown and Intermizoo 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.

BEEF SIRES:

The recent improvement in seasonal conditions in our key beef regions is pleasing, however the effect of this improvement has taken some time to filter through to us. 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-operatives overall strategy and Nigel Semmens continues to identify opportunities to expand our beef offering to meet the needs of beef producers around Australia.

EXPORT BUSINESS:

Export is becoming an increasingly important part of our business. Our sales in China continue to be strong 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 the successful market and particularly our distributor in China Sino Australia Genetics. 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 has been re-branded to Genetics Australia, our business

is consolidating its presence in a very competitive market. The appointment of Chris Dale as the GANZ General Manager will drive sales and increase market share for this business.

Our diverse catalogue of bulls have widespread appeal in many countries and semen production capacity allowing us to be competitive on the export market. Our export manager Rob Derksen continues follow up and develop opportunities and markets for our world class product.



OTHER PRODUCTS:

The Herd Insights system has consolidated itself as the premier activity monitor on the 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. We welcome on-board the Vetoquinol team and their Cue-Mate product. This market leading synchronization product combined with the fantastic technical back up from the Vetoquinol team is making great inroads into a market once dominated by a single product. We look forward to continuing this fantastic relationship with the Vetoquinol team

I would like to acknowledge the contribution of long-term employee Graeme Cowan who has now retired. Graeme's contribution in the customer service and merchandise areas is acknowledged industry wide and he is a recipient of the Meritorious Service Award from NHIA. On behalf of the entire Genetics Australia family, I would like to thank Graeme for his contribution and wish him and Jo all the best.

Finally, I thank the Board of Directors and my Management Team for their support. Most of all I would like to thank our shareholders, customers, distributors and suppliers for their ongoing support. We still have plenty of challenges to face and work to do and I am committed that Genetics Australia will maintain it's position as a leading supplier of herd improvement products and services. 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, 2020.

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)
Anthony Doyle (resigned 4.09.2020)
Stuart Horsburgh
Timothy Humphris
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 \$545,956 (2019: \$244,822)

Other comprehensive profit/(loss) net of income tax is \$2,080,035 (2019: (\$12,379))

Total comprehensive profit for the year is \$2,625,991 (2019: \$232,443)

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

On 11 March 2020, the World Health Organisation declared COVID-19 a global health pandemic. Since this time, there has been unprecedented measures imposed by the Australian government during 2020 which has caused disruption to businesses and economic activity.

These measures, including but not limited to stage 3 and stage 4 lock down restrictions, are likely to have an impact on the Group's net profit for the year ending 30 June 2021. The Group is considered a key component in the supply chain for essential service sectors such as dairy and beef, however depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and incur additional impairments on its assets in 2021.

Whilst the outbreak of COVID-19 has not had a material impact on the current year results, the directors will continue to monitor the situation as there may be a material impact on the results of the Group in future financial years.

Except for the event mentioned above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, or the results of those operations 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 2020 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 9th day of September, 2020

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	10
C Drake	11	10
A Doyle	11	10
S Horsburgh	11	11
T Humphris	11	10
J Pekin	11	11
R Sprunt	11	10

AUDIT & RISK MANAGEMENT MEETINGS

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

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 2020, 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 9th day of September 2020
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 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Sales Revenue	4	10,771,972	9,642,725
Cost of Sales		(5,346,086)	(4,905,243)
Gross Profit		5,425,886	4,737,482
Other income	4	1,535,875	2,191,551
Employee benefits expense		(2,895,021)	(3,001,414)
Depreciation and amortisation expense	5(a)	(463,374)	(488,112)
Goodwill on acquisition written off	5(a)	-	(75,445)
Finance costs	5(a)	(88,025)	(121,171)
Shareholders benefits		(41,206)	(74,752)
Other expenses		(2,672,274)	(2,629,256)
Profit before Income Tax	5	801,861	538,883
Income tax expense	6	(255,905)	(294,061)
Net Profit for the year		545,956	244,822
Other Comprehensive Income (net of income tax)			
Item that will not be reclassified to profit or loss			
Revaluation changes for property, plant and equipment (net of tax)		2,088,266	-
Foreign exchange (loss) arising on consolidation		(8,231)	(12,379)
Other Comprehensive Income for the year, net of income tax		2,080,035	(12,379)
Total Comprehensive Income for the year		2,625,991	232,443

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
Current Assets			
Cash and cash equivalents	9	295,209	286,098
Receivables	10	1,915,108	1,893,280
Inventories	11	1,840,023	2,143,491
Other assets	12	124,241	102,058
Total Current Assets		4,174,581	4,424,927
Non-Current Assets			
Property	13	14,020,559	11,231,358
Plant & equipment, and motor vehicles	13	320,536	559,809
Livestock	13	612,878	612,260
Intangibles	14	18,844	18,844
Total Non-Current Assets		14,972,817	12,422,271
Total Assets		19,147,398	16,847,198
Current Liabilities			
Trade and other payables	15	1,395,999	2,029,301
Other financial liabilities	17	-	35
Provisions	19	462,022	461,009
Total Current Liabilities		1,858,021	2,490,345
Non-Current Liabilities			
Trade and other payables	15	438,750	292,500
Financial liabilities	16	1,350,000	2,250,000
Other financial liabilities	17	74,041	75,741
Deferred tax liabilities	18	1,786,665	736,421
Provisions	19	31,784	19,351
Total Non-Current Liabilities before member's share capital		3,681,240	3,374,013
Member's interest	23	99,740	106,340
Total Non-Current Liabilities		3,780,980	3,480,353
Total Liabilities		5,639,001	5,970,698
Net Assets		13,508,397	10,876,500
Equity attributable to owners of the parent company			
Reserves	23	8,399,414	6,313,473
Retained earnings		5,108,983	4,563,027
Total Equity		13,508,397	10,876,500

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Retained Earnings \$	General Revenue \$	Asset Revaluation Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Consolidated balance at 1 July 2018	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
Consolidated balance at 30 June 2019	4,563,027	1,307,561	5,027,574	(21,662)	10,876,500
Increase during the year arising from independent revaluation of freehold properties (net of tax)	-	-	2,088,266	-	2,088,266
Exchange differences on translating foreign operations	-	-	-	(2,325)	(2,325)
Profit for the year	545,956	-	-	-	545,956
Consolidated balance at 30 June 2020	5,108,983	1,307,561	7,115,840	(23,987)	13,508,397

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

Note	Consolidated 2020 \$	Consolidated 2019 \$
Cash Flow from Operating Activities		
Receipts from customers and other income	10,823,518	9,228,161
Payments to suppliers and employees	(11,117,047)	(10,617,614)
Finance costs paid	(88,025)	(121,171)
Net cash used in operating activities	(381,554)	(1,510,624)
Cash Flow from Investing Activities		
Proceeds from sale of property, plant, equipment, motor vehicles and livestock	204,965	91,360
Proceeds from receipt of non-refundable deposits	1,462,500	2,193,750
Payments for property, plant, equipment, motor vehicles and livestock	(368,381)	(494,279)
Net cash flows provided by investing activities	1,299,084	1,790,831
Cash Flow from Financing Activities		
Proceeds from share issues	-	1,200
Payment for share cancellation/redemption	(6,600)	(20,200)
Proceeds/(Payments) in respect of debenture holders	(1,735)	7,742
Net repayment of borrowings	(900,000)	(350,000)
Exchange differences on cash and cash equivalents	(84)	(12,379)
Net cash used in financing activities	(908,419)	(373,637)
Net increase/(decrease) in cash held	9,111	(93,430)
Cash at beginning of financial year	286,098	379,528
Cash and cash equivalents at the end of the financial year	295,209	286,098

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 were approved and authorised for issue by the Board of Directors on 9th September, 2020.

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 2020. 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.

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the pandemic on the Group's operations along with measures taken by the government have the potential to negatively affect the Group's results, and the uncertain duration of stage 4 and stage 3 lockdown restrictions in Victoria has created significant uncertainty in society and the economy.

It is extremely difficult to determine the COVID-19 financial impact on the Group even though it is unlikely to be significant based on what is known at the date of the financial report. The Group has a strong net asset position at 30 June 2020 which is expected to shield it from any adverse financial impacts in the foreseeable future. Accordingly, the Financial Statements have been prepared on a going concern basis.

The Group has adopted AASB16 Leases but only has leases that are short term and of low value and has elected to use the exception available to it under AASB16. As a result the adoption of AASB 16 has not resulted in any change in accounting policy and the lease expense relating to these leases is recognised in the statement of profit and loss on a straight line basis.

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

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

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 \$231,723 (2019 \$162,270) 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 2020, 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 2020

Note 4 : Revenue

	Consolidated 2020 \$	Consolidated 2019 \$
Sales Revenue		
sale of goods	10,123,492	9,084,937
genetic and other services	648,480	557,787
Total sales revenue	10,771,972	9,642,724
Other income		
Support from Governments in respect of COVID-19	103,236	-
Loss on disposal of plant and equipment and livestock	(29,861)	(2,199)
gain on non-refundable deposits received re sale of land (see note below)	1,462,500	2,193,750
Total other income	1,535,875	2,191,551

As disclosed in previous years 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 the previous financial year the contract became unconditional following a vote in favour of the proposal by shareholders and all obligations on Genetics Australia had been fulfilled. One non-refundable deposit was received by the group in the current year and two non-refundable deposits were received by the group in the year ended 30 June 2019 in accordance with the contract. The balance of the contract price is expected at May 2023

The gain on non-refundable deposits received re sale of land is comprised of :

Non-refundable deposits	1,462,500	2,925,000
Commission and other costs payable to Stockdale and Leggo	-	(731,250)
	1,462,500	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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Interest Revenue

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

Note 5 : Profit/(Loss) before Income Tax

Profit 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 2020 \$	Consolidated 2019 \$
	215,268	313,883
	88,025	121,171
13	463,374	488,112
	-	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 2020

Note 6 : Income Tax Expense

	Consolidated 2020 \$	Consolidated 2019 \$
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	255,905	294,061
	<u>255,905</u>	<u>294,061</u>
(b) The prima facia tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prima facia tax expense on profit from ordinary activities at prevailing income tax rates	215,037	146,557
Add		
Tax effect of:		
-Non-deductible expenses	865	934
Non-assessable Non-exempt - Cash Flow Boost	(13,750)	-
Future income tax benefit relating to tax losses not recognised as an asset due to uncertainty of recovery:		
-Current year	52,340	111,802
-prior year		32,696
	<u>39,455</u>	<u>145,432</u>
Less:		
Tax effect of:		
-Under/over provision for deferred tax in the prior year	(1,413)	(2,072)
	<u>(1,413)</u>	<u>(2,072)</u>
Income tax expense attributable to the group for the year	<u>255,905</u>	<u>294,061</u>

Accounting treatment

Income tax

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

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	33,800	32,800
-other services	-	-
	<u>33,800</u>	<u>32,800</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 \$	Consolidated 2019 \$
156,259	156,259
629,048	625,309
<u>785,307</u>	<u>781,568</u>

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

<u>295,209</u>	<u>286,098</u>
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Reconciliation of cash

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

Cash at bank and on hand
Cash and cash equivalents

295,209	286,098
<u>295,209</u>	<u>286,098</u>

The Co-operative has a fully undrawn bank overdraft facility of \$100,000 at 30 June 2020.

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
Provision for impairment of receivables

2,119,517	2,029,713
(204,409)	(136,433)
<u>1,915,108</u>	<u>1,893,280</u>

Movement in provision for impairment of receivables

Opening balance
Movement in year
Closing balance

136,433	189,228
67,976	(52,795)
<u>204,409</u>	<u>136,433</u>

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 2020

Note 11: Inventories

	Consolidated 2020 \$	Consolidated 2019 \$
Semen at net realisable value	1,343,943	1,410,573
Merchandise at net realisable value	727,803	895,188
	2,071,746	2,305,761
Provision for Stock Write Offs	(231,723)	(162,270)
	1,840,023	2,143,491

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	124,241	102,058
	124,241	102,058

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

Land and Buildings - at fair value	14,369,074	11,484,983
less accumulated depreciation	(348,515)	(253,625)
Total Land and Buildings	14,020,559	11,231,358
Plant, Equipment & Motor Vehicles - at cost	3,201,133	4,789,791
less accumulated depreciation	(2,880,597)	(4,229,982)
Total Plant, Equipment & Motor Vehicles	320,536	559,809
Total Property, Plant & Equipment	14,341,095	11,791,167
Livestock- at cost	950,186	1,049,248
less accumulated depreciation	(337,308)	(436,988)
Total livestock	612,878	612,260
Total Property, Plant & Equipment, Motor Vehicles and Livestock	14,953,973	12,403,427

	Land and Buildings	Plant, Equipment & Motor Vehicles	Livestock	Total
Consolidated balance at 30th June 2019	11,231,358	559,809	612,260	12,403,427
Additions	3,725	30,806	333,850	368,381
Asset revaluation	2,880,366	-	-	2,880,366
Disposal - written-down value	-	(83,697)	(151,130)	(234,827)
Depreciation expense	(94,890)	(186,382)	(182,102)	(463,374)
Consolidated carrying amount at 30th June 2020	14,020,559	320,536	612,878	14,953,973

Asset revaluations - Land and Buildings

The directors revalued land and buildings of the Co-operative at 30 June 2020. This directors' valuation was supported by recent independent valuations performed on the properties in June 2020. The total increase in the fair value of the land and buildings was \$2,880,366. The revaluation increment was credited directly to the asset revaluation reserve net of any income tax effect. The Parwan Park South Property, which is under a terms sale agreement as disclosed in Note 4 but which is still being used by the group, was not revalued at 30 June 2020 and is carried at its book value at the time of the terms sale less depreciation on its buildings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 & equipment, and motor vehicles	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 2020

Note 14 : Intangibles

Trademarks

Consolidated 2020 \$	Consolidated 2019 \$
18,844	18,844
18,844	18,844

Movements in intangibles

Balance at 30th June 2019
Additions
Amount written-off
Carrying amount at 30th June 2020

Trademarks	Total
18,844	18,844
-	-
-	-
18,844	18,844

Accounting treatment

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

Note 15 : Trade and Other Payables

Current
Trade payables
Sundry payables and accrued expenses

Consolidated 2020 \$	Consolidated 2019 \$
891,142	1,655,199
504,857	374,102
1,395,999	2,029,301
438,750	292,500

Non-current
Sundry payables and accrued expenses

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.

Note 16 : Financial Liabilities

Non-current

Bank loan secured

Consolidated 2020 \$	Consolidated 2019 \$
1,350,000	2,250,000
1,350,000	2,250,000
1,350,000	2,250,000
1,350,000	2,250,000
10,893,248	8,088,309
10,893,248	8,088,309

(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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 16 : Financial Liabilities (continued)

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 2020 \$	Consolidated 2019 \$
-	35
74,041	75,741
74,041	75,776

Note 18 : Tax

a) Assets (Liabilities)

Deferred tax liabilities comprise:

Tax allowances relating to Property, plant and equipment, motor vehicles and livestock
Provisions
Income tax losses
Other

(2,998,597)	(2,221,959)	
132,401	130,127	
1,888,962	1,807,623	
(809,432)	(452,212)	
(1,786,665)	(736,421)	
Net liability	(1,786,665)	(736,421)

b) Reconciliations

Gross Movements

The overall movements in deferred tax account is as follows:

Consolidated opening balance
Charged to the income statement
Foreign exchange conversion difference
Transferred to asset revaluation reserve

(736,421)	(442,859)
(255,905)	(294,061)
(2,239)	499
(792,100)	-
(1,786,665)	(736,421)

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 2020

Note 19 : Provisions

	Consolidated 2020 \$	Consolidated 2019 \$
Current		
Annual Leave	133,292	122,771
Long Service Leave	328,730	338,238
	462,022	461,009
Non Current		
Long Service Leave	31,784	19,351
	31,784	19,351
Aggregate employee entitlements liability	493,806	480,360
Employee Benefits		
Consolidated opening balance at beginning of year	480,360	476,256
Amounts used	(193,930)	(203,591)
Additional provisions raised during the year	207,376	207,695
Consolidated balance at end of year	493,806	480,360

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	25,500	8,500
	25,500	10,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 2020 \$	Consolidated 2019 \$
Financial Assets:			
Cash and cash equivalents	9	295,209	286,098
Trade and other receivables	10	1,915,108	1,893,280
Total Financial Assets		2,210,317	2,179,378
Financial Liabilities:			
Financial liabilities at amortised cost:			
- Trade and other payables	15	1,834,749	2,321,801
- Bank loans - secured	16	1,350,000	2,250,000
- Debentures	17	74,041	75,776
Total Financial Liabilities and Debentures		3,258,790	4,647,577

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 2020

Note 22 : Financial Risk Management (continued)

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 2020

Note 23 : Members Interest and Equity

a) Share Capital:

The details of share capital are as follows:

Opening balance - 50,620 fully and partly paid shares

Shares issued during the year

Shares cancelled/redeemed/forfeited during the year

Closing balance - 49,870 fully paid shares

	Consolidated 2020 \$	Consolidated 2019 \$
	106,340	125,340
	-	1,200
	(6,600)	(20,200)
	99,740	106,340
	2020	2019
Number of Members	949	963
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 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				
Before tax	(23,865)	-	-	(23,865)
Tax benefit/(expense)	499	-	-	499
Net of tax	(23,366)	-	-	(23,366)
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
Other comprehensive income for the year (all attributable to the parent):				
Increase during the year arising from independent revaluation of freehold properties				
Before tax		2,880,366		2,880,366
Tax benefit/(expense)		(792,100)		(792,100)
Net of tax		2,088,266		2,088,266
Exchange differences on translating foreign operations				
Before tax	8,146	-	-	8,146
Tax benefit/(expense)	(2,240)	-	-	(2,240)
Net of tax	5,906	-	-	5,906
Exchange difference on loan to foreign operation	(8,231)	-	-	(8,231)
Consolidated balance at 30 June 2020	(23,987)	7,115,840	1,307,561	8,399,414

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 25 : Related Party Transactions

Related parties include the parent company, Genetics Australia Co-operative Limited, it's wholly owned subsidiary, Genetics Investments Limited, it's 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 27 and 28 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.

Transactions with Directors during the year in the normal course of business were 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 \$26,954 (2019: \$5,705).

(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 \$26,954 (2019: \$6,851).

Note 26 : New Accounting Standard for application in future periods.

REFERENCE AND TITLE: AASB 108

Details of New Standard/Amendment/Interpretation:

AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors.

The objective of this Standard is to prescribe the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Standard is intended to enhance the relevance and reliability of an entity's financial statements, and the comparability of those financial statements over time and with the financial statements of other entities.

Impact on Co-operative

The directors do not anticipate that the adoption of AASB 108 will have a significant impact on the results of the Co-operative's operations

Application date for the Co-operative:

30-Jun-21

REFERENCE AND TITLE: AASB 2018-6 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - DEFINITION OF A BUSINESS

Details of New Standard/Amendment/Interpretation:

AASB 2018-6 : Amendments to Australian Accounting Standards - Definition of a business.

This standard will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term or low value assets which may remain off balance sheet.

Impact on Co-operative

The directors do not anticipate that the adoption of AASB 2018-6 will have a significant impact on the results of the Co-operative's operations

Application date for the Co-operative:

30-Jun-21

REFERENCE AND TITLE: AASB 2018-7

Details of New Standard/Amendment/Interpretation:

AASB 2018-7 : Amendments to Australian Accounting Standards - Definition of materiality.

The amendments refine the definition of material in AASB 101 to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications.

Impact on Co-operative

The directors do not anticipate that the adoption of AASB 2018-7 will have a significant impact on the results of the Co-operative's operations

Application date for the Co-operative:

30-Jun-21

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Note 26 : New Accounting Standard for application in future periods. (continued)

REFERENCE AND TITLE: AASB 2019-1

Details of New Standard/Amendment/Interpretation:

AASB 2019-1 : Conceptual Framework for Financial Reporting.

The revised conceptual framework makes changes to terms used and definitions in a number of areas and covers uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Impact on Co-operative

The directors will need to consider the revised definitions included within the Conceptual Framework but do not consider there will be a significant impact on results.

Application date for the Co-operative:

30-Jun-21

REFERENCE AND TITLE: AASB 2020-1

Details of New Standard/Amendment/Interpretation:

AASB 2020-1 : Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current.

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

Impact on Co-operative

The adoption of AASB 2020-1 will not have any impact on the results of the Co-operative's operations

Application date for the Co-operative:

30-Jun-23

Note 27 : 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.	
			2020	2019
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 2020

Note 28 : 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 for the year
Other comprehensive income
Total comprehensive income

	Consolidated 2020 \$	Consolidated 2019 \$
Current assets	4,277,305	5,166,651
Total assets	19,171,351	17,481,379
Current Liabilities	1,709,911	2,247,179
Total Liabilities	5,579,164	6,065,804
Net assets	13,592,187	11,415,575
Retained earnings	5,168,786	5,080,438
General reserve	1,307,561	1,307,561
Asset revaluation reserve	7,115,840	5,027,576
Total equity	13,592,187	11,415,575
Profit for the year	88,348	678,124
Other comprehensive income	2,088,266	-
Total comprehensive income	2,176,614	678,124

Note 29 : Events after the reporting date

On 11 March 2020, the World Health Organisation declared COVID-19 a global health pandemic. Since this time, there has been unprecedented measures imposed by the Australian government during 2020 which has caused disruption to businesses and economic activity.

These measures, including but not limited to stage 3 and stage 4 lock down restrictions, are likely to have an impact on the Group's net profit for the year ending 30 June 2021. The Group is considered a key component in the supply chain for essential service sectors such as dairy and beef, however depending on the duration of the COVID-19 pandemic and continued negative impact on economic activity, the Group might experience further negative results, and incur additional impairments on its assets in 2021.

Whilst the outbreak of COVID-19 has not had a material impact on the current year results, the directors will continue to monitor the situation as there may be a material impact on the results of the Group in future financial years.


Except for the event mentioned above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, or the results of those operations 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 24 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 2020 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 9th day of September 2020

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 (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (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 Company, 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 2020, 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.

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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 Company 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 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 has 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 also:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

ShineWing Australia

ShineWing Australia
Chartered Accountants

M. J. Schofield

M J Schofield
Partner

Melbourne, 9 September 2020



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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.