

Genetics Australia Co-operative Limited

2022-2023 ANNUAL REPORT



DIRECTORS



Trevor Henry

(Chairman 1 July 2022 to 1 July 2023)
Maffra, Vic.

Trevor joined the Board in May 2010 and became Chairman in 2016. Formerly a director of the Macalister Demonstration Farm Board for 10 years, serving the last four as Chairman. Trevor is passionate about the continued development of the genetics best suited to our farming systems with the traits that can make dairy farming a sustainable and profitable business. Trevor along with his wife Tracy & children run Wilara Holsteins, a year-round, split-calving, 500-head Holstein milking herd and is ranked in the top 10 Holstein BPI herds in the country.



John Pekin

(Deputy Chairman 1 July 2022 to 1 July 2023 and Chairman 1 July 2023 to date)
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. John is a member of the Remuneration and Animal Health and Welfare sub committees. John and his wife Kristen run a 330-head herd which is ranked in the top 20 Holstein herds in the country. He was elected Deputy Chairman of the board in 2021.



Craig Drake

(Deputy Chairman 1 July 2023 to date)
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 was Deputy Chairman between 2015 and 2021 and is also a member of the Audit and Risk Management Committee.



John Duffield

(Audit and Risk Chairman) Koroit, Vic
Dip Bus (Acct), MBA, FCPA and FAICD.

John was appointed to the Board as an independent member in July 2021. John holds a Diploma of Business Studies (Major in Accounting), Masters of Business Administration (Specialisation in Strategy and Planning), Fellow of CPA's Australia, and a Graduate of AICD program. John has recently retired from full time work but was previously employed at Saputo Dairy Australia as a Senior Project Manager (business transformation projects) and held senior finance and IT positions with Warrnambool Cheese and Butter, Boeing Constructors, and Alcoa Australia. He is also an independent member of the Moyne Shire Audit and Risk Committee.



Tim Humphris

BVSc., MVS
Nerranda 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 has been a committee member of the Standing Committee for Genetic Evaluation with DataGene for the past four years. After 15 years of working as a dairy veterinarian, Tim has now been farming for the last 15 years. He runs a 550-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. Tim is a member of the Audit and Risk Management Committee and also member of the Animal Health & Welfare Committee.



Lucinda Corrigan

B. Sc. Agr (Hons 1) Bowna, NSW.

Lucinda and her family run a performance recorded herd of 2,300 cows on two aggregations in Southern NSW at Bowna and Culcairn. Rennylea Angus has been at the forefront of measuring performance since 1985. Lucinda has spent her professional life working in innovation across the livestock industries. It includes 9 years as a Non Executive Director of Meat and Livestock Australia and Chair of the MLA Donor Company. Currently she chairs the Sheep Sustainability Framework Governance Committee, is a Non Executive Director at dairy company DataGene, is a Non Executive Director of Animal Health Australia and Chair of the Animal Breeding and Genetics Unit at UNE.



Michael Carroll

B Ag Sc, MBA, FAICD Armadale, Vic

Resigned from the board 22 September 2022
Michael was appointed to the Board as an independent director in July 2021. He has had a lifelong interest in livestock breeding and genetics and runs a performance-recorded Angus enterprise at Derrinallum. Following a career in finance, Michael has served as a nonexecutive director with a number of private, publicly listed, government, and not-for-profit food and agribusiness companies.

CHAIRMAN'S REVIEW

On behalf of the Genetics Australia Board, I wish to thank everyone who shared our vision to proceed with the Joint Venture (JV) with URUS.

While the JV was formalised this year, it was the result of long-term strategies and planning stemming back at least eight years.

It has been a true strategic journey for nearly a decade and we couldn't be happier with the results.

Back then we recognised that the industry was consolidating and that to remain relevant, we needed to find an international partner.

Being able to supply and continue to develop elite genetic products for our domestic shareholders and customers was our driving motivation, and we could see that was becoming more restricted with the consolidation of international genetics.

We started conversations with potential suitors and, in the end, I believe we came up with the best option.

A key element of any partnership was making sure we retained domestic breeding and production programs. We needed to find the right partner to facilitate that core principle and when conversations were instigated four years ago with URUS, that was one of the foundations that the Board and management was never going to compromise.



Paul Hunt CEO of URUS, Huub te Plate CEO of Genex, Trevor Henry, Anthony Shelly, John Pekin (left to right)

This has been achieved as part of our JV with URUS. We believed then and still do today that the Australian cow has a lot to offer grazing farmers around the world.

To make the JV work, we needed to appeal as an attractive partner. The sale of Parwan Park South was an initial part of that process, followed by the acquisition of TLG. Combining production facilities into one centre was more efficient and made us more economically viable. We were in a strong position to enter the JV on our terms.

There have been many important developments for our cooperative over the past few years, but this stands out as the major pivot.

URUS is the largest herd improvement player in the world and the opportunities that flow through will be really exciting now and into the future.

These decisions allow the continuation of Genetics Australia and creates a far better vehicle to benefit our customers both domestically and internationally. We're really excited about what the future holds.

The JV will also introduce more Australian product to international grazing operations that want a true grazing or pasture-plus cow. Our cow is developed on a pasture-based system but has the ability to take on concentrate feedings in any form and be a really productive grazing animal. Regardless of the management system, Australian cows will be a really productive unit.

The support for the JV was overwhelming. We as a Board believed in the proposal and to get 93 per cent support at a member vote was very humbling and overwhelming affirmation that members agreed with our strategy.

It was a credit to our members that they could see the evolution of the A.I industry and realise that staying the same meant you could become irrelevant.

This vote bodes well for our future and I thank members for sharing the Board's vision and allowing us to proceed with the JV.

I appreciate the fantastic support from my fellow Board members who challenged each other to get the best outcome for our shareholders and we believe we achieved that.

The support of staff is also vital in any major transformation. Through the sale of Parwan Park, acquisition of TLG and announcement of the relocation to Camperdown, our dedicated teams fully supported our vision. We thank everyone who has contributed to this process and helped Genetics Australia to retain its status as the country's premier herd improvement company.

I particularly want to thank CEO Anthony Shelly for his foresight, energy, expertise and perseverance to negotiate the Joint Venture. He took on a phenomenal workload and the Board is truly grateful for his support.

Under the new structure, I will become chairman of Genetics Australia Holdings (GAH), the new JV with URUS.

As a part of the JV, GAC had the opportunity to nominate two directors to join the GAH Board, with independent board member John Duffield joining me at the table. We both remain on the Co-operative board.

The Co-operative's Board decided that as a matter of good governance practice it should not have the same chair as the JV and so John Pekin will step into the role of GAC chairman.

Board members will continue to advocate for our members to make sure we get the best possible results for them.

We have a great partner in URUS that is dedicated to developing the Australian cow to be the best she can be for us to have the most profitable animal for our business.



**TREVOR HENRY
CHAIRMAN**

CHIEF EXECUTIVE OFFICER'S REVIEW

INTRODUCTION

In last year's annual report, I reflected on one of the most successful years in our long history.

I am pleased to report that the 2022-23 financial year has topped that success with another strong operational performance and significant changes that will ensure things can only get better.

The announcement of a Joint Venture with the URUS Group will be a defining point in the history of the Co-operative and ensures we are well placed for the future.

On the back of continued strong performances from the beef and dairy sectors, Genetics Australia again recorded a solid operating profit.

We retained our status as Australia's number one producer of semen and sales were strong across all facets of our business.

This has been a period of great success for our industry and we are pleased to share in those accomplishments and look forward to a strong future together.

FINANCIAL PERFORMANCE

Genetics Australia's total group returned a profit after providing for Income Tax for 2022-23 of \$2,946,533 (2022: \$861,210) based on revenue of \$23,840,679 (2022: \$16,829,051).

This post-tax profit is the Group's best financial outcome and is \$2,085,323 above last year's positive result.

- Genetics Australia's total comprehensive income for the year \$5,845,240 (2022: \$764,833)
- Genetics Australia's total income for the year \$12,482,797 (2022: \$11,143,023)
- Group comprehensive Income for the Year 2022-23 is \$5,512,642 (2022: \$ 881,158)

The group net assets for 2022-23 remain strong at \$22,130,311, an increase of \$5,512,642 over 2021-22 with a positive cash position of \$1,182,005.

The completion of the sales transaction to divest the Parwan Park South property contributed to this result as did the continued synergies achieved in purchasing TLG and the economies of scale and efficiencies resulting from that investment.

The strength of our products and our reputation in the market are also important contributors to the result, and the farmgate environment has been as strong over the past three years as it has been for many decades.

Whilst acknowledging the impact of higher input costs, dairy farmers continued to enjoy a strong milk price and generally favorable seasonal conditions, creating a strong market for investment into their businesses.

In the first half of the year, beef continued to track quite strongly based on the on-farm environment, but in autumn we saw the strength of the market start to decline, impacting on our beef performance.

Our expense management was another significant driver of the profit. Our normalised expenses were closely aligned to the previous year, although total expenses reflected the investment in the Joint Venture program.

I wish to thank our Financial Manager Indra Dona and her team for their contribution to this excellent outcome and thank all of our customers and Co-operative members for their continued support.

BUSINESS OPERATIONS

In April, Genetics Australia Co-operative Ltd (GAC) announced it would enter into a new Joint Venture (JV) with global herd improvement leader URUS Group, ushering in an exciting new era in Australian herd improvement.

URUS is based in the United States and is a global leader in products and services for dairy and beef producers.

The JV would be 60 per cent owned by URUS and 40 per cent owned by GAC and have access to the full suite of GENEX products and the PEAK breeding program.

The proposal was subject to approval from GAC members and we were pleased that after an intensive consultation period members voted overwhelmingly in favour of the JV to start on July 1, 2023.

The JV is the most significant step taken by Genetics Australia in its recent history and gives Australian dairy and beef producers access to market-leading global genetics, technology and advice that could not be achieved by Genetics Australia on its own.

GAC will continue to own the land the business currently operates on and lease it to the JV for a commercial return. The trading name Genetics Australia will be retained for the JV entity.

I thank the Board for its foresight in pursuing this JV, the staff for embracing the concept and the shareholders for their overwhelming support.

Parwan Park South

The decision to sell Parwan Park South to a property developer for \$14.65 million was finalised during the year. The sale was announced in 2018 with a five-year settlement to allow transition from the site.

The 125-hectare property was purchased in 1986 and had been used mainly as a quarantine facility for bulls.

Like the JV, the sale was overwhelmingly supported by members with 98.5 per cent of responding shareholders backing the move.

GA sold Parwan Park in 2021.

Birregurra property

In March we leased our Birregurra property, a strategic decision to retain the asset and realise a commercial return.

The land had been used for outsourced agistment, bull layoff and hay production but following the acquisition of TLG in 2021 and the new Joint Venture with URUS we saw an opportunity to lease the site.

The site has been a good investment and its value has multiplied many times since its purchase about 20 years ago.

BULLS AND ABVS

During the reporting year we celebrated the 40th anniversary of Australian Breeding Values. The Co-operative was a strong supporter of creating a national evaluation system back in 1983 and we have remained a staunch advocate of their adoption.

Bulls owned by the Cooperative were at the top of the bull list back then and 40 years later it is pleasing to see our product is as strong as ever, with access to a worldwide gene pool and our ongoing ability to source and identify the best bulls.

In December 2022 we welcomed a new Sustainability Index [SI] which will help guide more sustainable outcomes for the dairy industry in the future.

Bulls sourced from Carenda Holsteins, PEMBERTON and PILBARA, continued to have a significant influence. As bulls add large numbers of daughters with high Records in Progress, we see some volatility in BPIs lifting and dropping; however, it is clear that the initial genomic ABVg is the best guide to where a bull will finally settle. PILBARA became the highest standing BPI bull in the December 2022 release with his BPI, HWI and SI all in the top 1% of the breed. PEMBERTON added a large group of daughters making him one of the best daughter proven bulls available while his high ranked son VARLEY became our highest demand young bull. The influence of these bulls will be significant as the arrival of high-ranking sons of VARLEY are destined for inclusion in future teams.



The increased interest in polled genetics was met by a number of homozygous and heterozygous bulls added to the sire line up. LEMONADE PP, OMG PP and Red Holstein VITTORIA PP quickly created a great deal of interest.

Local and international demand continued for our Jersey bulls. DOUGGAN was replaced in the August ABV release by ARDENT making him the highest daughter proven bull in Australia. Young Jerseys GOLDBANDP and STARKKPP, both sourced from the productive Wallacedale Jersey herd in Gippsland, led the charge while Beulah's contribution to our Jersey program continued with a stylish young bull called BERRY, bred from one of the breed's most influential cow families, the Daisy family.



Our highest Australian Red sire ARBMCKEON was joined in April by ARBSKEETA. While only young, he became the highest Australian Red bull and orders quickly grew for this all-round total performance sire.

Australian breeders continue to develop world class bulls. We acknowledge their contribution to Genetics Australia and the wider industry. We have multiple bulls in our line up from the highest Holstein herd Emu Banks Holsteins from Terang in Victoria, Jersey herd White Star Jerseys from nearby Noorat and Australian Red herd Beaulands Australian Reds in Nowra NSW.

There are many more high-rated herds with elite cow families that have added bulls or multiple bulls to our 40th ABV anniversary team and we thank them sincerely for placing trust in us to grow demand for Australian bred genetics not only here but in a number of countries around the world. We also congratulate first time breeders Liam Ryan of Grassmere Victoria for breeding young Holstein ILLUMINATOR and Phil Stasiw from Mt Gambier on the inclusion of two Australian Red bulls, ARBNORMAN and ARBLEVI.

THANK YOU

It has been a year of remarkable achievement and change for Genetics Australia, and this could not have been achieved without the vision of the Board of Directors and the dedication and professionalism of our management team and all staff in the TLG and GA teams.

We also appreciate the support given by our shareholders and customers, who not only remain loyal to our products and services but had the foresight to support the Joint Venture.

We look forward to sharing many successes into the future.



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, 2023.

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 1 July 2022 to 1 July 2023)
John Pekin (Deputy Chairman 1 July 2022 to 1 July 2023 and Chairman to date)
Craig Drake (Deputy Chairman 1 July 2023 to date)
Michael Carroll (resigned 26 September 2022)
Lucinda Corrigan
John Duffield
Timothy Humphris

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 conditions and the sale of other related items to Australian, Meat and Livestock Farmers. The sale of bull semen to the global market is also considered a key activity of the group.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the Group entered into an agreement to dispose of its main operations on 1 July 2023 to a joint venture company to be owned 60% by Urus Europe BV and 40% by Genetics Australia Co-operative Ltd. Further information on this matter is contained in the Chairman's report.

OPERATING RESULTS

The net profit of the Group after providing for income tax amounted to \$2,946,533 (2022: \$861,210)

Other comprehensive profit/(loss) net of income tax is \$2,566,109 (2022: \$19,848)

Total comprehensive profit/(loss) for the year is \$5,512,642 (2022: \$881,858)

A review of the operations of the Group is set out in the Chief Executive Officer'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.

EVENTS AFTER THE REPORTING DATE

Apart from the matter referred to under the heading 'Significant Changes in State of Affairs above and in Note 30 to the financial statements.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, 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.


ROUNDING OF AMOUNTS

The group contains companies of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial statements are rounded off to the nearest dollar, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the financial year ended 30 June 2023 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:



JOHN PEKIN
CHAIRMAN

CRAIG DRAKE
DEPUTY CHAIRMAN

Bacchus Marsh 31st day of October, 2023

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	14	13
J Pekin	14	14
C Drake	14	13
M Carroll	3	3
L Corrigan	14	10
J Duffield	14	14
T Humphris	14	13

AUDIT & RISK MANAGEMENT MEETINGS

Director	Eligible to Attend	Attended
J Duffield	6	6
L Corrigan	6	4
C Drake	6	5
T Humphris	6	6

The Board also has an Animal Welfare Committee and a Remuneration Committee. They both meet 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

As lead auditor, I declare that, to the best of my knowledge and belief, during the year ended 30 June 2023 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.

A handwritten signature in dark blue ink that reads 'SW Audit'.

SW Audit
Chartered Accountants

A handwritten signature in dark blue ink that reads 'Tom Mullarkey'.

Tom Mullarkey
Partner

Registered Company Auditor: 475359
Dated this 31st day of October 2023
Level 10, 530 Collins Street, Melbourne VIC 3000

Liability limited by a scheme approved under Professional Standards Legislation.



Genetics Australia Co-operative Limited and its subsidiaries

FINANCIAL STATEMENTS

for the year ended 30 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 \$	Consolidated 2022 \$
Continuing Operations			
Sales Revenue	4	20,158,443	16,829,051
Cost of Sales		(9,378,948)	(6,947,143)
Gross Profit		10,779,495	9,881,908
Other income	4	4,493,470	74,234
Employee benefits expense		(3,755,307)	(3,483,603)
Depreciation and amortisation expense	5(a)	(842,488)	(688,516)
Finance costs	5(a)	(693,412)	(373,432)
Rebates		(120,000)	(157,319)
Goodwill written -off		(664,001)	-
Other expenses		(4,909,115)	(4,210,129)
Profit before Income Tax	5	4,288,642	1,043,143
Income tax expense	6	(1,342,109)	(257,153)
Net profit for the year from continuing operations		2,946,533	785,990
Discontinued Operations			
Profit for the year from discontinued operations	27	-	75,220
Net profit for year		2,946,533	861,210
Other Comprehensive Income (net of income tax)			
Items that will not be reclassified to profit or loss			
Revaluation changes for property, plant and equipment (net of tax)		2,566,092	-
Increase to asset revaluation reserve arising from reduction in income tax rates		-	47,658
Foreign exchange profit/(loss) arising on consolidation		17	(27,710)
Other Comprehensive Income for the year, net of income tax		2,566,109	19,948
Total Comprehensive Income for the year		5,512,642	881,158

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

	Note	Consolidated 2023 \$	Consolidated 2022 \$
Current Assets			
Cash and cash equivalents	9	1,182,005	537,764
Receivables	10	3,221,454	2,902,577
Inventories	11	3,590,933	3,532,616
Other assets	12	24,211	192,947
		8,018,603	7,165,904
Assets held for sale	13	-	5,856,418
Total Current Assets		8,018,603	13,022,322
Non-Current Assets			
Property	14	20,144,683	16,881,451
Plant & equipment, and motor vehicles	14	1,496,885	1,553,871
Livestock	14	459,435	570,870
Intangibles	15	1,551,143	2,257,264
Total Non-Current Assets		23,652,146	21,263,456
Total Assets		31,670,749	34,285,778
Current Liabilities			
Trade and other payables	16	3,995,922	2,544,598
Financial liabilities	17	-	-
Other financial liabilities	18	54,356	2,380
Current tax liabilities	19	3,126,760	163,158
Provisions	20	633,405	621,835
Total Current Liabilities		7,810,443	3,331,971
Non-Current Liabilities			
Trade and other payables	16	-	438,750
Financial liabilities	17	-	11,208,056
Other financial liabilities	18	16,930	71,356
Deferred tax liabilities	19	1,568,019	2,487,878
Provisions	20	46,806	32,658
Total Non-Current Liabilities before members' share capital		1,631,755	14,238,698
Members' interest	24	98,240	97,440
Total Non-Current Liabilities		1,729,995	14,336,138
Total Liabilities		9,540,438	17,668,109
Net Assets		22,130,311	16,617,669
Equity attributable to owners of the parent company			
Reserves	24	8,441,936	8,628,770
Retained earnings		13,688,375	7,988,899
Total Equity		22,130,311	16,617,669

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2023

	Retained Earnings \$	General Reserve \$	Asset Revaluation Reserve \$	Foreign Currency Translation Reserve \$	Total \$
Consolidated balance at 1 July 2021	5,279,434	1,307,561	9,144,983	(29,066)	15,702,912
Increase during the year arising from reduction in income tax rates			60,970	543	61,513
Transfer during the year arising from the disposal of freehold properties	1,848,255	-	(1,848,255)	-	-
Exchange differences on translating foreign operations	-	-	-	(7,966)	(7,966)
Profit for the year	861,210	-	-	-	861,210
Consolidated balance at 30 June 2022	7,988,899	1,307,561	7,357,698	(36,489)	16,617,669
Increase during the year arising from revaluation of properties			2,566,092		2,566,092
Transfer during the year arising from the disposal of freehold properties	2,789,415	-	(2,789,415)	-	-
Exchange differences on translating foreign operations	-	-	-	17	17
Transfer on liquidation of overseas subsidiary	(36,472)	-	-	36,472	-
Profit for the year	2,946,533	-	-	-	2,946,533
Consolidated balance at 30 June 2023	13,688,375	1,307,561	7,134,375	-	22,130,311

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2023

	Note	Consolidated 2023 \$	Consolidated 2022 \$
Cash Flow from Operating Activities			
Receipts from customers and other income		19,839,565	17,232,399
Payments to suppliers and employees		(17,014,659)	(16,078,517)
Finance costs paid		(693,412)	(374,004)
Income tax paid		(163,158)	-
Net cash provide by/(used in) operating activities		1,968,336	779,878
Cash Flow from Investing Activities			
Proceeds from sale of property, plant, equipment, motor vehicles and livestock		480,190	289,762
Proceeds from receipt of sale of assets held for sale		10,041,123	2,922,023
Payments for property, plant, equipment, motor vehicles and livestock		(635,718)	(7,975,682)
Net cash flows provided by/(used in) investing activities		9,885,595	(4,763,897)
Cash Flow from Financing Activities			
Proceeds from share issues		800	300
Payment for share cancellation/redemption		-	(100)
Proceeds/(Payments) in respect of debenture holders		(2,450)	(135)
Net Proceeds/(Repayment) of borrowings		(11,208,056)	4,008,056
Exchange differences on cash and cash equivalents		16	(5,254)
Net cash provided by/(used in) financing activities		(11,209,690)	4,002,867
Net increase/(decrease) in cash held		644,241	18,848
Cash at beginning of financial year		537,764	518,916
Cash and cash equivalents at the end of the financial year	9	1,182,005	537,764

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 1 General Information

Basis of preparation

The Group financial statements are general purpose financial statements that have been prepared in accordance with the Corporations Act 2001, the Co-operative National Law Application Act 2013, Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB), and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements and notes of the Parent Company - Genetics Australia Co-operative Limited (the Co-operative) and Controlled Entities (the Group). For the purposes of preparing the consolidated financial statements the Co-operative is a for-profit entity.

The presentation currency used in these financial statements is Australian dollars (\$).

Statement of compliance

The consolidated financial statements for the year ended 30 June 2023 were approved and authorised for issue by the Board of Directors on 31st October, 2023.

Comparatives are consistent with prior years, unless otherwise stated.

The Co-operative does not have 'public accountability' as defined in AASB 1053 Application of Tiers Australian Accounting Standards and is therefore eligible to apply 'Tier 2' reporting framework under Australian Accounting Standards.

The financial statements comply with the recognition and measurement requirements of Australian Accounting Standards, the presentation requirements in those Standards as modified by AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060) and the disclosure requirements in AASB 1060. Accordingly, the financial statements comply with Australian Accounting Standards - Simplified Disclosures.

Rounding of amounts

The amounts in the directors' report and in the financial statements are rounded to the nearest dollar.

Information about the Co-operative

Genetics Australia Co-operative Limited is a co-operative incorporated under the Co-operatives National Law 2013 (Victoria)

The addresses of its registered office and principal place of business are as follows:

Registered office

4104 Geelong-Bacchus Marsh Road
Parwan Vic 3340

Principal place of business

4104 Geelong-Bacchus Marsh Road
Parwan Vic 3340

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 conditions and the sale of other related items to Australian Dairy, Meat and Livestock Farmers. The sale of bull semen to the global market is also considered a key activity of the group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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 \$nil (2022 \$434,195) is required to cover any obsolescence of inventory.

Goodwill

Pending the disposal of operations to a new joint venture company as outlined in the Chairman's Report and the Directors' Report, the board decided to write-off the goodwill that arose on the purchase of the Total Livestock Genetics business to avoid over-burdening the new company with an excessive level of intangible assets.

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 2023, 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 2023

Note 4 : Revenue

	Consolidated 2023 \$	Consolidated 2022 \$
Sales Revenue		
sale of goods	12,969,910	11,269,230
genetic and other services	7,188,533	5,559,821
Total sales revenue	20,158,443	16,829,051
Other income		
Profit/(Loss) on disposal of assets held for sale, plant and equipment and livestock	4,493,470	74,234
Total other income	4,493,470	74,234

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 from sales of goods is recognised at a point in time and Revenue from Services is recognised 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 2023

		Consolidated 2023 \$	Consolidated 2022 \$
Note 5 : Profit before Income Tax	Note		
Profit before income tax from continuing operations includes the following specific expenses:			
a. Expenses			
Stock Write-down		188,331	341,846
Finance costs - External		693,412	374,004
Depreciation of non-current assets	14	800,368	646,396
Amortisation of Customer relationships	15	42,120	42,120

Accounting treatment

Finance Cost

Finance cost includes all interest-related expenses including lease costs relating to the capitalised lease.

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 2023

Note 6 : Income Tax Expense

(a) The components of tax expense comprise:

Current tax
Deferred tax

Under/(over) provision for tax in prior year

Consolidated
2023
\$

Consolidated
2022
\$

89,579

159,952

978,097

78,717

274,433

18,484

1,342,109

257,153

(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 before income tax
@ 25% (2022 25%)

1,072,161

260,787

Add

Tax effect of:

Non-deductible expenses

4,486

2,315

4,486

2,315

Less:

Tax effect of:

-Net effect to deferred tax assets and liabilities on change in taxation rate

-

43,238

-Under/over provision for deferred tax in the prior year

(265,462)

(37,289)

(265,462)

5,949

Income tax expense attributable to the Group for the year

1,342,109

257,153

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

-other services

60,000

53,000

-

-

60,000

53,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 8 : Key Management Personnel Remuneration

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

	Consolidated 2023 \$	Consolidated 2022 \$
- Directors	146,770	174,212
- Executives	541,903	396,016
	688,673	570,228

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	1,182,005	537,764
--------------------------	-----------	---------

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	1,182,005	537,764
Cash and cash equivalents	1,182,005	537,764

The Group has a fully undrawn bank overdraft facility of \$100,000 at 30 June 2023 (\$100,000 at 30 June 2022).

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	3,449,279	3,112,402
Provision for impairment of receivables	(227,825)	(209,825)
	3,221,454	2,902,577

Movement in provision for impairment of receivables

Opening balance	209,825	204,409
Increase in provision	18,000	12,000
Bad Debt write-off	-	(6,584)
Closing balance	227,825	209,825

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 23 for further discussion on the determination of impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 11: Inventories

	Consolidated 2023 \$	Consolidated 2022 \$
Semen at net realisable value	2,329,537	2,753,645
Biological assets at fair value	368,687	391,130
Merchandise at net realisable value	892,709	822,036
	<u>3,590,933</u>	<u>3,966,811</u>
Provision for Stock Write Offs	-	(434,195)
	<u>3,590,933</u>	<u>3,532,616</u>

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.

Biological assets are measured on initial recognition and at each subsequent balance sheet date at their fair value less costs to sell.

Note 12 : Other Assets

Prepayments	24,211	192,947
	<u>24,211</u>	<u>192,947</u>

Note 13 : Assets held for sale

Assets held for sale	-	5,856,418
	<u>-</u>	<u>5,856,418</u>

Land and buildings classified as held for sale during the prior year reporting period were subjected to a directors' valuation.

Note 14 : Property, Plant & Equipment, Motor Vehicles and Livestock

Land and Buildings - at fair value	20,870,016	17,206,407
less accumulated depreciation	(725,333)	(324,956)
Total Land and Buildings	<u>20,144,683</u>	<u>16,881,451</u>
Plant, Equipment & Motor Vehicles - at cost	2,444,449	2,524,548
less accumulated depreciation	(947,564)	(970,677)
Total Plant, Equipment & Motor Vehicles	<u>1,496,885</u>	<u>1,553,871</u>
Total Property, Plant & Equipment	<u>21,641,568</u>	<u>18,435,322</u>
Livestock- at cost	818,054	941,243
less accumulated depreciation	(358,619)	(370,373)
Total livestock	<u>459,435</u>	<u>570,870</u>
Total Property, Plant & Equipment, Motor Vehicles and Livestock	<u>22,101,003</u>	<u>19,006,192</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 14 : Property, Plant & Equipment, Motor Vehicles and Livestock (continued)

	Consolidated 2023 \$	Consolidated 2022 \$
Land and Buildings - at fair value	20,870,016	17,206,407
less accumulated depreciation	(725,333)	(324,956)
Total Land and Buildings	20,144,683	16,881,451
Plant, Equipment & Motor Vehicles - at cost	2,444,449	2,524,548
less accumulated depreciation	(947,564)	(970,677)
Total Plant, Equipment & Motor Vehicles	1,496,885	1,553,871
Total Property, Plant & Equipment	21,641,568	18,435,322
Livestock- at cost	818,054	941,243
less accumulated depreciation	(358,619)	(370,373)
Total livestock	459,435	570,870
Total Property, Plant & Equipment, Motor Vehicles and Livestock	22,101,003	19,006,192

	Land and Buildings	Plant, Equipment & Motor Vehicles	Livestock	Total
Consolidated balance at 30th June 2022	16,881,451	1,553,871	570,870	19,006,192
Additions at cost	62,124	453,689	119,905	635,718
Revaluation of assets	3,430,886	-	-	3,430,886
Re-classification of assets	150,329	(150,329)	-	-
Disposal - written-down value	(4,067)	(96,588)	(70,770)	(171,425)
Depreciation expense	(376,040)	(263,758)	(160,570)	(800,368)
Consolidated carrying amount at 30th June 2023	20,144,683	1,496,885	459,435	22,101,003

Asset revaluations - Land and Buildings

The Directors revalued land and buildings of the Group at 30 June 2023. Based on a recent independent valuation performed in June 2023, the Birregurra property was revalued by the directors whilst other Group properties, which had been the subject of more recent acquisitions, were valued at their purchase prices.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 14 : Property, Plant & Equipment, Motor Vehicles and Livestock (continued)

Plant and equipment

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

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

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

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.

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 (e.g. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 14 : Property, Plant & Equipment, Motor Vehicles and Livestock (continued)

Impairment of non-financial assets

At the end of each reporting period 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.

Note 15 : Intangibles

	Consolidated 2023 \$	Consolidated 2022 \$
Goodwill	-	664,000
Trademarks	20,443	20,444
Brand names	583,000	583,000
Customer Relationships	947,700	989,820
	<u>1,551,143</u>	<u>2,257,264</u>

Movements in intangibles

	Goodwill	Trademarks	Brand Names	Customer Relationships	Total
Balance at 30th June 2021	664,000	20,444	583,000	1,031,940	2,299,384
Additions	-	-	-	-	-
Amount amortised	-	-	-	(42,120)	(42,120)
Balance at 30th June 2022	664,000	20,444	583,000	989,820	2,257,264
Additions	-	-	-	-	-
Amount amortised	-	-	-	(42,120)	(42,120)
Amount written-off	(664,000)	(1)	-	-	(664,001)
Carrying amount at 30th June 2023	-	20,443	583,000	947,700	1,551,143

Accounting treatment

Goodwill was acquired on the acquisition of a business and was written off during the year pending the sale of the business operations to a new joint venture company.

Trademarks and Brand Names are capitalised, and subject to the impairment of assets testing.

Customer Relationships are capitalised and are amortised over a 25 year period.

Impairment

Trade Marks and Brand Names have been reviewed for impairment at the end of the financial year and will be reviewed annually on an ongoing basis. As a result of the review no write-down was considered to be necessary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 16 : Trade and Other Payables

Current

Trade payables

Sundry payables and accrued expenses

Non-current

Sundry payables and accrued expenses

Consolidated 2023 \$	Consolidated 2022 \$
1,603,467	1,777,155
2,392,455	767,443
3,995,922	2,544,598
-	438,750

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 17 : Financial Liabilities

Current

Bank loan secured

Lease liability- Right-of-use asset

Non-current

Bank loan secured

Lease liability- Right-of-use asset

(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

-	-
-	-
-	-
-	11,208,056
-	-
-	11,208,056
-	11,208,056
-	-
-	11,208,056
-	11,208,056
20,144,683	16,881,451
20,144,683	16,881,451

The group has no bank loans at the end of the financial year. Security held by the Bank has yet to be discharged. The group has met its bank covenants during the reporting period and up to date of signing of the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 18 : Other Financial Liabilities

Current

Debentures repayable within 12 months

Non-current

Debentures repayable after 12 months

Consolidated 2023 \$	Consolidated 2022 \$
54,356	2,380
16,930	71,356
71,286	73,736

Note 19 : Tax

a) Assets (Liabilities)

Deferred tax assets comprise:

Provisions

Other

Capital losses

248,211	283,826
365,879	256,946
203,549	987,868
817,639	1,528,640

Deferred tax liabilities comprise:

Tax allowances relating to

Property, plant and equipment, motor vehicles and livestock

Assets held for resale

Leases

Other

(2,387,368)	(2,484,046)
-	(1,532,472)
-	-
1,710	-
(2,385,658)	(4,016,518)

Net deferred tax liabilities

(1,568,019)	(2,487,878)
-------------	-------------

Current tax liabilities comprise:

Provision for current tax payable

(3,126,760)	(163,158)
-------------	-----------

b) Reconciliations

Gross Movements

The overall movements in deferred tax account is as follows:

Consolidated opening balance

Benefit from reduction in income tax rates to asset revaluation reserve

Charged to the income statement

Transfer to current tax liabilities

Foreign exchange conversion difference

Transferred to asset revaluation reserve

(2,487,878)	(2,452,682)
-	60,970
(978,097)	(93,998)
2,762,749	-
-	(2,168)
(864,793)	-
(1,568,019)	(2,487,878)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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.

	Consolidated 2023 \$	Consolidated 2022 \$
Note 20 : Provisions		
Current		
Annual Leave	256,753	258,681
Long Service Leave	376,652	363,154
	633,405	621,835
Non Current		
Long Service Leave	46,806	32,658
	46,806	32,658
Aggregate employee entitlements liability	680,211	654,493
Employee Benefits		
Consolidated opening balance at beginning of year	654,493	617,527
Amounts used	(283,312)	(246,366)
Additional provisions raised during the year	309,030	283,332
Consolidated balance at end of year	680,211	654,493

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 21 : 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 22 : Capital commitments

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

Website development

Note

Consolidated 2023 \$	Consolidated 2022 \$
-	17,500
-	17,500

Note 23 : 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:

Financial Assets:

Cash and cash equivalents	9	1,182,005	537,764
Trade and other receivables	10	3,221,454	2,902,577
Total Financial Assets		4,403,459	3,440,341

Financial Liabilities:

Financial liabilities at amortised cost:

- Trade and other payables	16	3,995,922	2,983,348
- Bank loans - secured	17	-	11,208,056
- Debentures	18	71,286	73,736
Total Financial Liabilities and Debentures		4,067,208	14,265,140

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 23 : Financial Risk Management (continued)

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 subsequently measured at:

- amortised cost
 - fair value through other comprehensive income; or
 - fair value through profit and loss
- on the basis of the two primary criteria:
- the contractual cash flow characteristics of the financial asset; and
 - the business model for managing the financial assets.

A financial asset is subsequently measured at amortised cost if it meets the following conditions:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates.

A financial asset is subsequently measured at fair value through other comprehensive income if it meets the following conditions:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specific dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the conditions of amortised cost and the fair value through other comprehensive income's measurement condition are subsequently measured at fair value through profit and loss.

(ii) *Loans and receivables*

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 23 : Financial Risk Management (continued)

(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 Group 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:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- 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.

Note 24 : Members Interest and Equity

a) Share Capital:

The details of share capital are as follows:

Opening balance - 48,720 fully paid shares

Shares issued during the year

Shares cancelled/redeemed/forfeited during the year

Closing balance - 49,120 fully paid shares

Number of Members

Consolidated 2023 \$	Consolidated 2022 \$
97,440	97,240
800	300
-	(100)
98,240	97,440
2023	2022
936	928

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 24 : Members Interest and Equity (continued)

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 2021	(29,066)	9,144,983	1,307,561	10,423,478
Other comprehensive income for the year (all attributable to the parent):				
Increase during the year arising from a change in income tax rates	543	60,970	-	61,513
Transfer to retained earnings arising on disposal of property		(1,848,255)		(1,848,255)
Exchange differences on translating foreign operations				
Before tax	26,325	-	-	26,325
Tax benefit/(expense)	(6,581)	-	-	(6,581)
Net of tax	19,744	-	-	19,744
Exchange difference on loan to foreign operation	(27,710)	-	-	(27,710)
Consolidated balance at 30 June 2022	(36,489)	7,357,698	1,307,561	8,628,770
Other comprehensive income for the year (all attributable to the parent):				-
Increase during the year arising from independent revaluation of freehold properties				-
Before tax		3,430,886		3,430,886
Tax benefit/(expense)		(864,794)		(864,794)
Net of tax		2,566,092		2,566,092
Transfer to retained earnings arising on disposal of property		(2,789,415)		(2,789,415)
Exchange difference on loan to foreign operation	16			16
Transfer to retained earnings on liquidation of foreign operation.	36,473			36,473
Consolidated balance at 30 June 2023	-	7,134,375	1,307,561	8,441,936

Note 25 : Contingent Liabilities and Contingent Assets

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

Note 26 : Related Party Transactions

Related parties include the parent company, Genetics Australia Co-operative Limited, it's wholly owned subsidiaries, Genetics Investments Limited, Total Livestock Genetics Victoria Pty Ltd and Genetics Australia New Zealand Limited, directors and senior management of the Group. Details relating to the companies are set out in Notes 28 and 29 and remuneration of directors and executives is disclosed in Note 8.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 27 : Purchase and Sale of assets

During the financial year the Group completed the sale of the property at Parwan Park South. It had been subject to a five year term that commenced in 2018 but had not been fully revalued to its selling price pending final settlement. Consequently a profit on sale of \$4,388,251 is included in these financial statements.

On 24th January 2022, the Group decided to wind-up Genetics Australia New Zealand Limited. The gain from discontinued operation presented in the prior year's statement of profit and loss and other comprehensive income relates to (1) Profit after tax from discontinued operation \$46,419 and (2) Gain on sale of assets \$28,801. In the current financial year the liquidation of the New Zealand company was finalised.

Note 28 : Composition of the Group

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

Name of subsidiary	Country of incorporation and principal place of business	Principle activity	Proportion of ownership interests held by the Group.	
			2023	2022
Genetic Investments Ltd.	Australia	Investments	100%	100%
Genetics Australia New Zealand Limited (Liquidated during the year ended 30 June 2023)	New Zealand	Sale of genetically superior bull semen to the NZ Dairy Industry up to the date of disposal of its business.	-	100%
Total Livestock Genetics Victoria Pty Ltd	Australia	Production and sale of genetically superior bull semen.	100%	100%
Genetics Australia Holdings Pty Ltd (Incorporated during the year ended 30 June 2023)	Australia	Intended joint venture vehicle for the production and sale of genetically superior bull semen	100%	-

Note 29 : Parent Entity information

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

	2023 \$	2022 \$
Statement of Financial Position		
Current assets	19,521,144	17,860,317
Total assets	30,988,030	25,877,821
Current Liabilities	8,946,718	1,483,837
Total Liabilities	8,297,923	9,032,953
Net assets	22,690,107	16,844,868
Retained earnings	14,248,171	8,179,610
General reserve	1,307,561	1,307,561
Asset revaluation reserve	7,134,375	7,357,697
Total equity	22,690,107	16,844,868
Statement of profit or loss and other comprehensive income		
Profit for the year	3,279,148	717,175
Other comprehensive income	2,566,092	47,658
Total comprehensive income	5,845,240	764,833

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

Note 30 : Events after the reporting date

On 1 July 2023 the day-to-day operations of the group were consolidated into a wholly owned subsidiary within the group being Genetics Australia Holdings Pty Ltd (GAH). The assets that were transferred into GAH from other group companies, at their book values at 30 June 2023, were the plant, machinery, computer equipment, software, furniture, fittings, motor vehicles, livestock, inventories and the intangible asset of customer relations. All of the group's employees also transferred to GAH on their existing terms and conditions along with their employee entitlements which were funded by cash transfers covering 75% of existing employee provisions.

As a result of these transfers the parent company of the group being Genetics Australia Co-operative Limited (GAC) received 6,543,000 shares of \$1 each in GAH being the full value of net assets transferred. With the approval by postal ballot of the GAC shareholders, GAC then sold 60% of those shares being 3,925,800 shares of \$1 each to Urus Europe BV (Urus), an international company involved in bovine genetics and herd improvement, for the sum of \$2.2 million plus future benefits to be provided by Urus in terms of increased revenue and reduced production costs.

All land, buildings, trademarks and brands have been retained by the group along with the receivables and payables that existed at 30 June 2023. Rental agreements for land, buildings, trademarks and brands have been entered into at commercial rates and these will provide immediate income for the group which, in due course, is expected to be enhanced by dividends from GAH to provide long term benefits for GAC's shareholders.

DIRECTOR'S DECLARATION

The Directors of the Co-operative declare that:

The financial statements and notes set out on pages 8 to 29 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 2023 and of the performance for the year ended on that date..

1. 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.



JOHN PEKIN
CHAIRMAN



CRAIG DRAKE
DEPUTY CHAIRMAN

Dated this 31st day of October 2023

AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2023



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GENETICS AUSTRALIA CO-OPERATIVE LIMITED

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 2023, 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 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 2023 and of its financial performance for the year then ended, and
- b. complying with Australian Accounting Standards – Simplified Disclosures 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 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 on 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Brisbane
Level 15
240 Queen Street
Brisbane QLD 4000
T + 61 7 3085 0888

Melbourne
Level 10
530 Collins Street
Melbourne VIC 3000
T + 61 3 8635 1800

Perth
Level 18
197 St Georges Terrace
Perth WA 6000
T + 61 8 6184 5980

Sydney
Level 7, Aurora Place
88 Phillip Street
Sydney NSW 2000
T + 61 2 8059 6800



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 – Simplified Disclosures, the Co-operative National Law Application Act 2013 and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or 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.



SW Audit

Chartered Accountants



Tom Mullarkey

Partner

Melbourne, 31 October 2022



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

Tel: +61 3 5367 3888
Email: info@genaust.com.au

www.genaust.com.au