

Annual Report 2009

Genetics Australia Co-operative Limited



Michelle Clark with Roger Perrett, breeder of DONANTE and INFORMER



Daughter of LARFALOT, best new Jersey graduate for 2009.



Darren, Tamara, Ryan and Joe Lavada, Fish Ck, Vic. with a progeny test daughter of DANZALI.



The very first gene marker proven team in Australia.



At the Elite Genetic Merit Sale, Lardner Park, October 2009.



ORANA, No. 1 Holstein bull for APR.



Women in Dairying seminars enhance leadership among dairying women.

'Parwan Park'

144 Woolpack Road,
Bacchus Marsh,
Victoria, 3340, Australia
Telephone: +61 3 5367 3888
Facsimile: +61 3 5367 5100
www.genaust.com.au
info@genaust.com.au

Chief Executive

Dr Ray Johnson, BScAg, MScAg, PhD, MAICD

Secretary

Gerard Monaghan, BBus, CA

Auditors

Bell Partners
Chartered Accountants

Bankers

National Australia Bank Limited

Directors

Colin Gardner (Chairman) MAICD
Longwarry North, Vic.

Simon Bennett (Deputy Chairman), MAICD, Dip Ag.
Elizabeth Town, Tas.

Noel Campbell, Dip. Mech.Eng., FAICD
Yannathan, Vic.

Frank Davis, FCPA, F.Fin, FAIM, FAICD Dip.
Carlton, Vic

Bryan Dickson
Terang, Vic

Ross Gordon
Cohuna, Vic.

Wim Kampschoer, BSc Ag.
Simpson, Vic.

Jens Karnoe, MBus (Mktg), FAMI, CPM, FAICD
East Malvern, Vic.

Chairman's Review 2009



Colin Gardner

Conditions in the dairy industry remain challenging, with a number of factors coming together to worsen market conditions. Since 2002, there has been ongoing contraction in the dairy industry with reductions in both farms and cows caused, in the main, by some of the worst climatic conditions in living memory. In particular, the Northern Victorian region has been hardest hit, with dramatically reduced water allocations across the region.

In recent times the global financial crisis and reduced demand for milk products has heavily impacted on the milk prices that our dairy farmers receive. Like all our dairy farmer members, and most agricultural businesses, we have had to adapt and change to these historic conditions.

In financial year 2007–08 we moved the business back into operating profitability and achieved underlying Earnings before Interest and Tax (EBIT) of \$802,487 from an EBIT loss of \$1,442,301 in 2006–07, an effective turn-around in trading performance of over \$2 million (not including any asset sales). This was a very good result at a time when the dairy industry had only partially recovered from the severe drought conditions.

Again, I am pleased to report that this improvement in performance has been continued into the current financial year of 2008–09, with an EBIT of \$99,739. Although our Net Profit was a loss of \$134,817 we had a number of extraordinary costs during the year that were necessary to resolve for the Co-operative to go forward effectively. In particular these included some merger considerations that accounted for above budget expenditure.

Our debt level was reduced by 30% in 2007–08, to around \$3 million, and has been maintained at about this level in the 2008–09 financial year. We expect to reduce this significantly in the 2009–10 with the asset optimisation program that is currently underway. The net assets of your cooperative have been maintained at \$8.3 million, an excellent result given current market conditions.

Given that our mission is to improve the profitability of dairy farmers through genetic improvement, I am more than pleased to report that the 2008–09 financial year was marked by an historic performance in our breeding programs, that delivered over nineteen new graduates from our

progeny test program. The No.1 APR (Profit) bulls in **all** the major dairy breeds stand at Genetics Australia, and all were progeny tested by the Cooperative. This is the first time in the history of the Cooperative that we have held this honour, and we are proud to be able to make available such a strong team of bulls to our shareholders and Australian farmers.

We produced the No.1 and No.2 available Holsteins in ORANA and GOLDSMITH, and five of the top 10 Holstein sires ranked on APR. We also have outcross pedigrees and high type rated bulls coming through. A good example of this is utility specialist WILLCOY — his non-DONOR pedigree makes him the obvious choice for the majority of breeding programs — and WISEPOINT is the leading new sire for mammary system improvement, both with high profit ratings.

In the Jerseys, VALERIAN is still the No.1 sire at 147 APR and 91 daughters. His challengers have come and gone and he remains Australia's most reliable Jersey. LARFALOT is the new total-performance sire at 132 APR and 114 Overall Type.

We also dominate the Red breeds, with ARBBOBDOWN being the clear Aussie Red leader and the best total performance sire. He is No.1 not only for profit, but also ASI and Protein. He rates higher than **all** of his imported counterparts, with many of them sold at significantly higher prices. Also holding the No.1 profit ranking is the Illawarra sire REDVIKING. At 101 APR and 106 for Overall Type he is a clear breed leader.

Genetics Australia is proud of its contribution in this area for the Australian dairy industry. Our mission is, and will remain, to improve the profitability of farmers. We are a farmer-owned co-operative, one of very few that exist in the dairy industry.

We appreciate the cooperation of breeders around Australia in working with us to identify top Australian proven bulls from some of Australia's leading cow families. Many breeders also supported our first Australian Elite Genetic Merit Sale (AEGMS) that showcased the quality of the genetics on offer in Australia and this sale is now cemented as a regular in the dairy sale calendar.

Our first Women in Dairy Meeting was held in Kyabram and was well received by dairy women from across the region and beyond. This will be the first of ongoing programs to give this often forgotten sector of the dairy industry a chance to come together to discuss industry issues and gain knowledge to take home to the farm.

We have been through some tough times as have many of our farmer members, in particular with the ongoing drought conditions since 2002-03. As you can see from our 2008-09 financial performance, we have weathered this storm, have made the necessary changes, and are now firmly placed for the future.

And the future is an exciting one. We have been working closely with both the DPIV and Dairy Australia in the successful application for a second CRC, now called Dairy Futures CRC. The gene marker technology that has been derived from the first CRC and also the DPIV work is now at the commercialisation stage, and we will play a pivotal role in this process. We launched the first Australian genomic team of INFORMER sons during the year, another first for the Australian dairy industry. Dairy farmers gained access to these bulls years ahead of their first ABV.

Your Board remains concerned about the ongoing decline in progeny test uptake primarily through the reduction in dairy herds in traditionally strong progeny test support regions. Despite driving genetic progress in Australia, and the Genetics Australia progeny test team out-performing all bulls from other suppliers [see Figure 1], the ongoing retraction in the industry will make progeny testing into the future unsustainable.

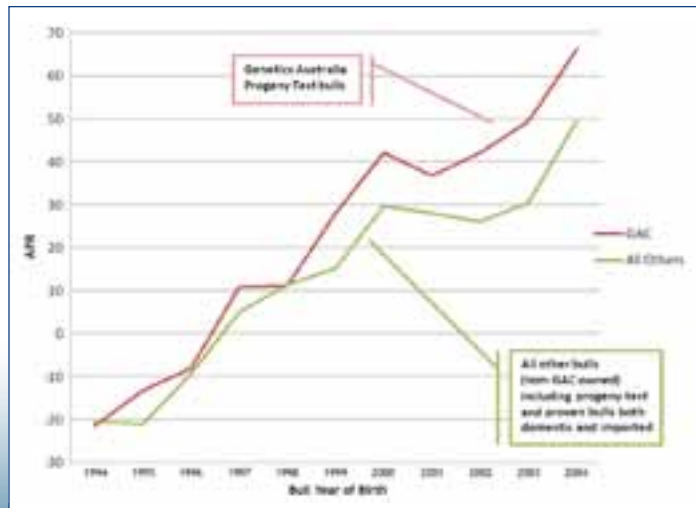


Figure 1. The rate of genetic gain in Australian Profit Ranking (APR) of Genetics Australia's Progeny Test teams compared with all other bulls used in Australia over the last ten years.

Our investment in new technologies such as gene markers will remain vital for the Cooperative to continue to make available top Australian proven bulls.

There will also be other areas of technology that we are currently actively working on, such as sexed semen. It is our intention to be at the forefront of new technology to benefit our farmer members.

During the year we once again revised our Strategic Plan, and this is being used to drive the future development of your Cooperative. As part of this plan we made a strategic investment in a small livestock genetics company called Liberty Genetics in New Zealand. We intend to use this investment as a platform for sales into the New Zealand dairy market in a careful and staged manner.

I thank my fellow Directors for their commitment towards the ongoing success of Genetics Australia. Their determination to drive the Co-Operative forward is paramount to its success.

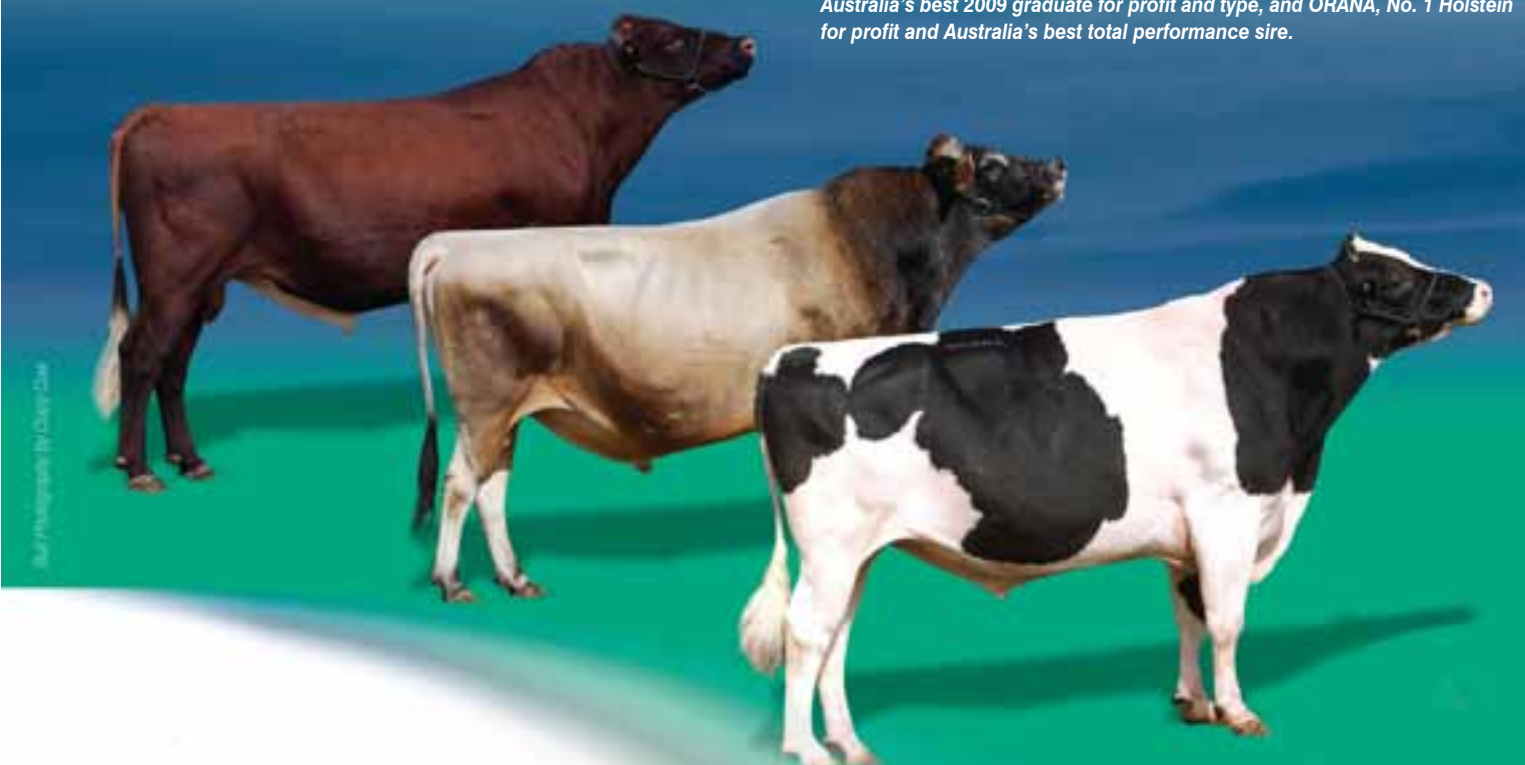
Also, thank you to our Chief Executive Officer Dr Ray Johnson, his senior management and all staff for the commitment and work on behalf of Genetics Australia and our customers and shareholders.

The next year is shaping up to be a dynamic one for your Cooperative, in particular as we significantly expand our retail presence across the Australian dairy industry. As always we seek to serve our members, and will continue to focus on developing new and innovative products and solutions for their business.

The Black Saturday bush fires in Victoria and floods in Northern NSW this year affected many people. We extend our deepest sympathy to those people. And I would personally like to thank all of our staff who were involved in one way or another, including fire duty and assisting our dairy farmer members who were affected.

Chairman

Below: The No.1 APR (Profit) bulls in all the major dairy breeds stand at Genetics Australia, and all were progeny tested by the Cooperative: (left to right) ARBBOBDOWN. No. 1 Red breeds bull for profit, ASI and protein, LARFALOT, Australia's best 2009 graduate for profit and type, and ORANA, No. 1 Holstein for profit and Australia's best total performance sire.





Dr Ray Johnson

I am pleased to report the continuing improved financial performance of the Cooperative following on from the good results last financial year. Revenue was increased from \$13.7 million in 2007–08 to \$14.1 million in 2008–09. Earnings before Interest and Tax (EBIT) were \$99,739 and Net Profit was a loss of \$134,817.

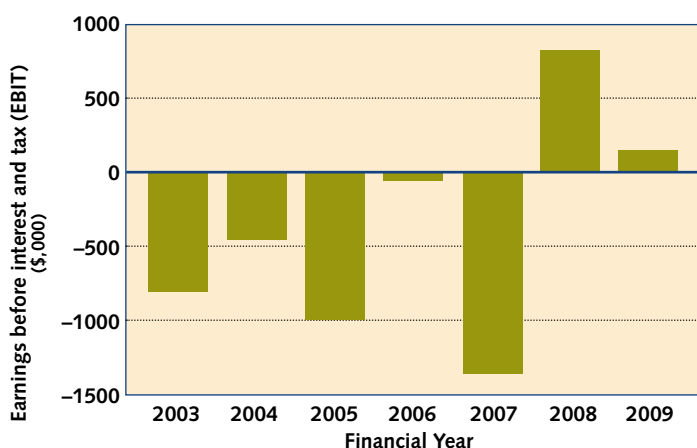
This was a solid result given that there were a number of extraordinary expenses during the year, in particular to do with two merger considerations. Other extraordinary costs included a foreign exchange rate loss incurred

when the currency crashed in the global financial crisis, costs associated with our 50th Anniversary events, and our decision to financially support the Young Dairy Development Program. In addition, we made the decision to significantly upgrade the pasture quality at our Birregurra Farm in Western Victoria, which had been severely affected by the prior year drought conditions. This was a significant cost over budget but was necessary for the long term sustainability of this outstanding farm, and was identified by an independent consultant.

In total these extraordinary expenses totalled approximately \$250,000 but were vital to the ongoing performance of the business. In addition we resolved a number of merger issues which were significantly hampering the business in terms of future direction.

EBITDA (Earnings before Interest, Taxes, Depreciation, and Amortisation), which is a crucial benchmark for measuring the business performance, was highly positive at \$923,094, lower than the \$2.03 million in 2007–08 but well over double the levels of the previous five years.

The changes made to the business of the Cooperative over the past three years have dramatically changed the underlying trading performance of the business, with earnings before interest and tax (EBIT) continuing the very positive result in 2007–08 and a major improvement over the severe drought and increased competition induced downturn since 2002–03. The improvement in the financial performance of the Cooperative is shown in the figure below.



Earnings before Interest and Tax (EBIT) since 2002–03 financial year.

While profitability was not as strong as last financial year, the underlying operational result was strong after accounting for the extraordinary costs incurred. In the latter part of the financial year we made the decision to significantly expand our retail division to take advantage of certain market conditions. Accordingly, extra costs were incurred without any significant additional revenue.

As I reported last year, our retail business units have continued to improve their performance and these are now making an excellent contribution to the performance of the organisation. The strategy of moving firmly into the distribution sector of the supply chain which was commenced back in 2000–01 is now showing outstanding success. Our plans are to continue increasing our distribution and direct servicing of our customers. In the latter part of this financial year, we established new retail centres in both Colac and Maffra.

Genetics Australia Cooperative is now the dominant provider of herd testing and services for the Australian dairy industry. This marks a major change to the business from one of solely livestock genetics to a far broader business now including herd improvement services. This is a very logical expansion of the business base of the cooperative so that we can now service our customers directly rather than through external providers, particularly in regions where little support is shown for the Australian Breeding Value (ABV) system. Many of these providers show little interest in supporting progeny testing and it is our intention to continue to develop our own retail service offerings in these regions.

During the year we continued to focus heavily on implementing genetic marker technology into our genetic selection programs. Last year we secured the commercial licence, in conjunction with our partners Dairy Australia and Australian Dairy Farmers (ADF), for the CRC genetic marker technology for the dairy and beef industries. As this technology will form the backbone of our future genetic selection programs, the importance of this cannot be over-stated. This year we once again contributed strongly to this work by becoming a core participant in the new Dairy Futures CRC, which has just been successfully granted by the Federal Government.

During the 2009–10 financial year the gene marker technology will be commercially released to the Australian dairy industry, and Genetics Australia will play a key role in this process. We continue to work closely with both Dairy Australia and the ADF/ADHIS to ensure industry needs are met with this new technology.

During the year we invested strongly in our staff, in particular, by employing a number of new staff in Western Victoria and Gippsland. We continue to undertake training programs and provide the right systems to optimise the efficiency and working conditions of our people, who remain the key to the future of the business.

This year we made the first John Harlock Staff Achievement Award to our Despatch Manager, Graeme Cowan. The Harlock Award recognises outstanding contributions from staff members, with four quarterly awards and an overall winner announced annually. Graeme was the first overall winner, with the three quarterly winners being Wayne Nichols, Geoff Watts and Wally Slabicki.



Former Chairman John Harlock presents the Harlock Staff Achievement Award to inaugural winner Graeme Cowan.

We have maintained a strong focus on our Occupational Health and Safety (OH&S) systems and processes, and we did not record any major injuries throughout the year. WorkSafe conducted a number of audits on our premises during the year and I am very pleased to report on our complete compliance.

We are excited about the next few years as we expand the business of the Cooperative in line with the Board's Strategic Plan. Our staff are professional and committed and will always strive to meet the needs of our members.

Dr Ray Johnson, Chief Executive Officer



Colin Gardner
(Chairman)
MAICD
Longwarry North, Vic.

Colin was elected to the Board in 1997. His industry positions have included 12 years on the Board of HFAA, including President for three years, and chair of the Organising Committee for the 10th World Holstein-Friesian Conference held in Sydney, 2000.



Simon Bennett
(Deputy Chairman)
MAICD, Dip. Ag.
Elizabeth Town, Tas.

Simon was appointed to the Board in August 2004. He has a Diploma in Agriculture. In 2004, he was elected to the Australian Dairy Conference board. He has completed the Australian Institute of Company Directors course. Simon is a member of the Audit and Risk Management Committee.



Noel Campbell
Dip. Mech. Eng., FAICD
Yannathan, Vic.

Noel was elected to the Board in 2007. He previously served on the Board from 1992 to 1999. He has business experience in a number of fields and is Chairman of Bonlac Supply Company. He is a Board member of Australian Dairy Farmers Limited.



Frank Davis
FCPA, F.Fin, FAIM, FAICD Dip.
Carlton, Vic.

Frank was appointed to the Board in 2008. He is currently Chairman of Warrnambool Cheese and Butter Limited. He has extensive experience in a number of fields. He is also Chairman of the Audit and Risk Management Committee.



Brian Dickson
Terang, Vic.

Brian was elected to the Board in 2007. He is also a board member of Demo Dairy Terang. Brian is a member of Holstein Australia and the UDV.



Ross Gordon
Dip. Farm Man.
Cohuna, Vic.

Ross was elected to the Board in November 2006. He was a director of Northern Herd Development Co-operative Ltd for fourteen years, including three years as Chairman.



Wim Kampschoer,
BScAg
Simpson, Vic.

Wim was elected to the Board in November 2006. He has been a Director and Chairman of herd improvement co-operatives in western Victoria for more than 11 years. He holds a degree in Agricultural Science and has studied animal husbandry and economics. Wim is Chairman of the Animal Welfare Committee, and a member of the Audit and Risk Management Committee.



Jens Karnoe
MBus (Mktg), FAMI, CPM, FAICD
East Malvern, Vic.

Appointed in August 2004, Jens has over 25 years experience in marketing, with senior positions at a number of well-known companies. He holds a Masters degree in Marketing, and is a Fellow of the Australian Institute of Company Directors and the Australian Marketing Institute.

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:

Director	Board Meetings		Special Attendances (days)	Audit & Risk Management and Animal Welfare Committee Meetings	
	Eligible to Attend	Attended		Eligible to Attend	Attended
S Bennett	11	11	2.5	6	6
N Campbell	11	11	2.0		
L Collins	2	2	0.0	1	1
F Davis	9	9	3.0	5	5
B Dickson	11	11	2.0		
C Gardner	11	11	26.5		
R Gordon	11	10	5.0		
W Kampschoer	11	11	4.0	7	7
J Karnoe	11	10	5.5		

To the members,

Your Directors present their report, together with the audited financial report of the Co-operative for the financial year ended 30th June, 2009.

The Directors of the Co-operative in office at any time during or since the end of the financial year and up to the date of this report are:

Colin Arthur Gardner (Chairman)
Simon Francis Bennett (Deputy Chairman)
Noel Robert Campbell
Leslie Walter Collins
Francis Joseph Davis
Bryan John Dickson
Ross Kenneth Gordon
William EJ Kampschoer
Jens Peter Karnoe

Resigned 19/8/2008
Appointed 26/8/2008

Refer to page 5 for Director's qualifications and meeting attendances.

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

No significant change in the nature of these activities occurred during the year.

The Net Loss of the Co-operative after providing for income tax amounted to \$134,817.

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

No other significant changes in the Co-operatives state of affairs occurred during the financial year.

The Directors recommend that no dividend be paid.

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

The likely developments in the operations of the Co-operative in subsequent financial years are set out in the Chairman's Review. In the opinion of the Directors, disclosure of any further information on likely developments would be unreasonably prejudicial to the interests of the Co-operative.

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

The Co-operative has not, during the course of the year or since the end of the year, granted to a person a formal option to have issued to him/her shares in the Co-operative.

No person has applied for leave of court to bring proceedings on behalf of the Co-operative or intervene in any proceedings to which the Co-operative is a party for the purpose of taking responsibility on behalf of the Co-operative for all or any part of those proceedings. The Co-operative was not a part to any such proceedings during the year.

Rule 63 of the Co-operative indemnifies officers in accordance with section 227 of the Co-operatives Act 1996. Further, during the year, the Co-operative paid an insurance premium in respect of an insurance policy for the benefit of 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

A copy of the auditor's independence declaration as requested under section 307C of the Corporations Act is set out below.

The Report is made in accordance with a resolution of the Board and signed for and on behalf of the Directors.



Colin Gardner, Chairman Simon Bennett, Deputy Chairman

Bacchus Marsh, 26th October, 2009

Auditor's independence declaration under S 307C of the Corporations Act 2001 to the Directors of Genetics Australia Co-operative Limited

I declare that, to the best of my knowledge, during the year ended 30 June 2009 there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.



Bell Partners



Ryan H Dummett (Partner)

Registered Company Auditor 217647
Dated this 20th day of October 2009
Level 7, 468 St. Kilda Rd, Melbourne, VIC 3004

For the year ended 30 June 2009	Note	2009 \$	2008 \$
Revenue	2	14,121,646	13,724,118
Changes in inventories of finished goods and work in progress		358,389	252,023
Raw materials and consumables used		(4,592,032)	(3,899,158)
Employee benefits expense		(4,265,240)	(4,397,101)
Depreciation and amortisation expense	3	(823,355)	(887,763)
Finance costs	3	(280,358)	(394,021)
Shareholder benefits		(113,687)	(262,998)
Other expenses	3	(4,585,982)	(3,726,635)
Earnings before sale of assets		(180,619)	408,466
Profit on sale of Properties and Investments		–	343,770
Profit/(Loss) before Income Tax		(180,619)	752,236
Income tax (expense) / benefit	4	45,802	(336,893)
Profit/(Loss) attributable to members		(134,817)	415,343

Balance Sheet

As at 30 June 2009

	Note	2009 \$	2008 \$
Current Assets			
Cash and cash equivalents	7	53,045	218,196
Trade and other receivables	8	2,704,088	2,785,640
Inventories	9	2,994,758	2,636,370
Other current assets	10	38,294	40,574
Land held for sale	11	829,146	–
Total Current Assets		6,619,332	5,680,779
Non-Current Assets			
Financial assets	12	26,842	5,065
Property, plant & equipment, and motor vehicles	13	7,114,820	7,884,683
Livestock	13	568,860	658,389
Intangibles	14	7,243	–
Deferred tax assets	18	695,372	649,569
Total Non-Current Assets		8,413,137	9,197,706
Total Assets		15,032,468	14,878,485
Current Liabilities			
Trade and other payables	15	2,390,906	2,468,758
Financial Liabilities	16	215,971	1,164,010
Short-term provisions	19	618,410	620,907
Total Current Liabilities		3,225,285	4,253,675
Non-Current Liabilities			
Financial Liabilities	16	3,429,528	2,112,207
Other Financial Liabilities	17	101,992	103,112
Long-term provisions	19	27,101	23,206
Total Non-Current Liabilities		3,558,620	2,238,524
Total Liabilities		6,783,906	6,492,200
Net Assets		8,248,562	8,386,285
Equity			
Issued capital		156,144	159,049
Reserves		1,307,561	1,307,561
Retained earnings		6,784,858	6,919,674
Total Equity		8,248,562	8,386,285

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2009

	Partly paid ordinary shares \$	Retained Earnings \$	General Reserve \$	Total \$
Balance at 1 July 2007	158,068	6,504,331	1,307,561	7,969,960
Profit attributable to members		415,343		415,343
Shares issued during the year	1,150			1,150
Shares cancelled/redeemed during the year	(169)			(169)
Balance at 30 June 2008	159,049	6,919,674	1,307,561	8,386,284
Profit attributable to members		(134,817)		(134,817)
Shares issued during the year	350			350
Shares cancelled/redeemed during the year	(3,255)			(3,255)
Balance at 30 June 2009	156,144	6,784,858	1,307,561	8,248,563

Cash Flow Statement

For the year ended 30 June 2009

	Note	2009 \$	2008 \$
Cash Flow from Operating Activities			
Receipts from customers		15,172,428	15,369,700
Interest received		1,160	1,709
Other Revenue		204,466	121,960
Payments to suppliers & employees		(15,149,460)	(14,361,610)
Finance costs paid		(280,358)	(394,021)
Net cash provided by/(used in) operating activities	19	(51,763)	737,738
Cash Flow from Investing Activities			
Payments for property, plant, equipment, motor vehicles and livestock		(958,625)	(593,386)
Payments for trademarks and investments		(29,020)	-
Proceeds from sale of properties and investments		208,108	839,440
Proceeds from sale of plant, equipment, motor vehicles and livestock		299,773	33,116
Net cash provided by/(used in) investing activities		(479,763)	279,170
Cash Flow from Financing Activities			
Proceeds from share issues/(redemptions)		(2,905)	981
Proceeds from borrowings		209,275	176,395
Repayment of borrowings		100,000	(700,000)
Loans from/(to) other parties		-	39,369
Net cash provided by/(used in) financing activities		306,370	(483,255)
Net increase/(decrease) in cash held		(225,157)	533,653
Cash at beginning of financial year		218,196	(315,457)
Cash at end of financial year	7	(6,961)	218,196

The accompanying notes form part of these financial statements.

For the year ended 30th June, 2009

Note 1: Statement of Significant Accounting Policies

This financial report includes the financial statements and notes of Genetics Australia Co-operative Limited.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Co-operatives Act 1996.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The following is a summary of the material accounting policies adopted by the Co-operative in preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Policies

Income tax

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

Current income expense charged to the profit and loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore 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 directly to equity instead of the profit and loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates enacted or substantially enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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 off-set exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Inventories

Inventories are measured at the lower of cost or 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.

Land held for sale

Land identified to be sold has been measured at the lower of cost or net realisable value. Cost includes the cost of acquisition. Holding costs during the period of sale have not been capitalised as they are not material. Profits are brought to account on the signing of an unconditional contract of sale.

Property, Plant, Equipment and Livestock

Each class of property, plant and equipment, motor vehicles and livestock is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land is shown at cost in accordance with accounting standards. Buildings are carried at cost, in accordance with accounting standards, less accumulated depreciation and impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and 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.

The cost of fixed assets constructed within the Co-operative includes the cost of materials, direct labour, borrowing costs and an appropriate apportionment of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount and recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Co-operative and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during 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 building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Co-operative commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	
Depreciation rate	
Buildings	2.5–20%
Plant and Equipment	4–27%
Leased Plant and Equipment	4–27%
Livestock	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

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

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

Leases

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

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

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

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

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

Financial Instruments

Initial Recognition and Measurement

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

Financial instruments are initially measured at fair value plus transactions 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: (i) the amount at which the financial asset or financial liability is measured at initial recognition; (ii) less principal repayments; (iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognized and the maturity amount calculated using the *effective interest method*; and (iv) less any reduction for impairment. 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 value with a consequential recognition of an income or expense in profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either 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 value being included in profit or loss.

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.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Co-operative's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Co-operative assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the Co-operative no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are either discharged, cancelled or expire. The difference between the carrying value 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 each reporting date, the Co-operative reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

Employee Benefits

Provision is made for the Co-operative's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

Provisions

Provisions are recognised when the Co-operative has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Cash and Cash Equivalents

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

Revenue

Revenue from the sale of goods is recognised upon delivery of goods to customers. Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to the financial assets.

Revenue from rendering of a service is recognised upon the delivery of the service to the customers.

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

Shareholder benefits

Rebates provided to shareholders of the Co-operative have been aggregated in the Income Statement as an expense 'Shareholder Benefits'. In addition, Shareholders have received discounted prices on semen purchased during the financial year.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the costs of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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 Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cashflows.

Intangibles – Trademarks

Intangibles include trademarks, the costs of which are capitalised, and subject to the impairment of assets testing. Trademarks are amortised over their useful lives.

Foreign Currency Transactions

During the financial year the Co-operative has not entered into any foreign currency hedging arrangements in relation to the import or export of goods. Imports and exports of goods by the Co-operative are recorded at the time of the transaction at the prevailing exchange rate as publicly available. Any difference between the recorded cost or benefit at the time of payment is recognised in profit or loss immediately. Unrealised differences between the recorded asset or liability at the end of the financial year are recorded in profit and loss.

Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Co-operative.

Key estimates – Impairment

The Co-operative assesses impairment at each reporting date by evaluating conditions specific to the Co-operative that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No indications of impairment were identified as at 30th June 2009 and therefore no value-in-use calculations were required.

Key estimates – Employee Entitlements

The Co-operative assesses the probability of long service leave being taken at each reporting date by evaluating current trends and expectations of future events.

Key judgement – Impairment of Receivables

Included in the accounts receivable balance are \$45,094 of sales to customers which are considered to be impaired. This figure has been judged based on the number and quantity of debts outside existing trading terms, considered to represent a risk of non-payment.

	2009 \$	2008 \$
Note 2: Revenue		
Sales Revenue		
– sale of goods	11,809,778	11,428,859
– genetic and other services	2,106,240	2,171,590
Total sales revenue	13,916,019	13,600,448
Other Revenue		
– dividends	–	3,210
– interest	1,160	1,709
– other non-trading income	204,466	118,750
Total other revenue	205,627	123,670
Total sales revenue and other revenue	14,121,646	13,724,118
Other Income		
– gain on disposal of plant and equipment	–	343,770
Total other income	–	343,770

	2009 \$	2008 \$
Note 3: Profit before Income Tax		
a. Expenses:		
Cost of sales	3,516,866	3,647,135
Finance costs – External	280,358	394,021
Depreciation of non-current assets	823,355	887,763
Total Depreciation and Amortisation expense	823,355	887,763
Other Expenses from ordinary activities		
– marketing	718,037	567,772
– vehicle expenses	639,231	555,977
– breeding development	225,102	182,650
– travel & accommodation	146,088	186,694
– communication	227,544	194,422
– repairs & maintenance	134,919	130,446
– consultants	235,421	108,563
– insurance	125,488	166,237
– operating leases	150,731	157,721
– other	1,983,420	1,476,152
	4,585,982	3,726,635
b. Significant Revenue and Expenses		
The following significant revenue and expense items are relevant in explaining the financial performance:		
– sale of goods	11,809,778	11,428,859
– genetic and other services	2,106,240	2,171,590
– other income	205,627	123,670
– raw materials and consumables used	(4,592,032)	(3,899,158)
– employee benefits expense	(4,265,240)	(4,397,101)
– vehicle expenses	(639,231)	(555,977)
– consultants	(235,421)	(108,563)
– loss on disposal of non-current assets	(47,003)	(71,542)
Note 4: Income Tax Benefit		
(a) The components of tax expense comprise:		
Current tax	–	–
Deferred tax	(45,802)	336,893
	(45,802)	336,893
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:		
Prime facie tax payable on profit/(loss) from ordinary activities before income tax @ 30%	(54,186)	225,671
Add		
Tax effect of:		
– Non-allowable items	2,175	3,719
– Other Assessable Amounts	310,900	183,709
	313,075	187,429
	258,890	413,100
Less		
Tax effect of:		
– Other deductible items	304,691	74,831
– imputation credit	–	1,376
	304,691	76,207
Income tax expense attributable to entity	(45,802)	336,893

Notes to the Accounts

	2009 \$	2008 \$
Note 5: Auditors' Remuneration		
Remuneration of auditor		
– audit	35,000	35,000
– other services	27,769	31,630
Total remuneration of auditor	62,769	66,630
Note 6: Remuneration and retirement benefits		
Directors Remuneration		
Income paid or payable to all directors of the Co-operative and any related parties		
– Directors fees	94,606	112,815
– Special Attendances	13,600	11,375
– Superannuation	26,512	18,599
	134,718	142,789
The names of directors of the Co-operative who have held office during the financial year are set out in the Report of Directors.		
Note 7: Cash and Cash Equivalents		
Cash and cash equivalents	53,045	218,196
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:		
Cash on hand	53,045	5,245
Cash at bank	–	212,951
Bank overdraft – secured	(60,006)	–
	(6,961)	218,196
Note 8: Trade and Other Receivables		
Trade receivables	2,749,182	2,638,843
Provision for impairment of receivables	(45,094)	(61,312)
	2,704,088	2,577,532
Other receivables	–	208,108
	2,704,088	2,785,640
Note 9: Inventories		
Semen at cost	1,916,617	1,607,354
Merchandise at cost	1,050,316	1,000,921
Hay at cost	27,824	28,094
	2,994,758	2,636,370
Note 10: Other Assets		
Prepayments	38,294	40,574
Note 11: Land Held for Resale		
Property at cost	829,146	–
Note 12: Financial Assets		
Shares in other entities – at cost	26,842	5,065

	2009 \$	2008 \$
Note 13: Property, Plant & Equipment, Motor Vehicles and Livestock		
Freehold land at cost	4,615,722	5,428,877
Property Improvements including Buildings at cost	3,013,811	3,093,785
less accumulated depreciation	(1,923,555)	(1,915,172)
	1,090,256	1,178,613
Plant, Equipment & Motor Vehicles at cost less accumulated depreciation	6,152,721	5,689,914
	(4,743,879)	(4,412,721)
	1,408,842	1,277,193
Total Property, Plant & Equipment and Motor Vehicles	7,114,820	7,884,683
Livestock at cost	1,551,985	1,705,840
less accumulated depreciation	(983,125)	(1,047,451)
	568,860	658,389

	Freehold Land	Property Improvement including Buildings	Plant Equipment & Motor Vehicle	Livestock	Total
Balance at 1st July, 2007	6,168,591	1,244,113	1,547,059	690,053	9,649,816
Additions	–	3,543	242,891	350,480	596,914
Disposals	(739,714)	(8,372)	(28,990)	(38,819)	(815,895)
Depreciation expense	–	(60,671)	(483,767)	(343,325)	(887,763)
Revaluation	–	–	–	–	–
Balance at 30th June 2008	5,428,877	1,178,613	1,277,193	658,389	8,543,072
Additions	15,991	44,239	644,074	254,320	958,625
Disposals	–	(84,671)	(20,546)	(60,298)	(165,515)
Reclassification to Land held for Sale	(829,146)	–	–	–	(829,146)
Depreciation expense	–	(47,925)	(491,879)	(283,551)	(823,355)
Revaluation	–	–	–	–	–
Carrying amount at 30th June 2009	4,615,722	1,090,256	1,408,842	568,860	7,683,681

	2009 \$	2008 \$
Note 14: Intangibles		
Trademarks	7,243	–
Note 15: Trade and Other Payables		
Current		
Trade payables	1,776,881	1,760,879
Sundry payables and accrued expenses	614,024	707,879
	2,390,906	2,468,758

	2009 \$	2008 \$
Note 16: Financial Liabilities		
Current		
Bank overdraft secured	60,006	–
Bank loan secured	–	1,100,000
Finance Loan – Hire Purchase/Chattel Mortgage	155,965	64,010
	215,971	1,164,010
Non-current		
Bank loan secured	3,200,000	2,000,000
Finance Loan – Hire Purchase/Chattel Mortgage	229,528	112,207
	3,429,528	2,112,207
(a) Total current and non-current secured liabilities:		
Bank overdraft	60,006	–
Bank loan	3,200,000	3,100,000
	3,260,006	3,100,000
(b) The carrying amounts of non-current assets pledged as security are:		
First mortgage		
Freehold land and buildings	5,509,654	5,509,654
Hire Purchase/Chattel Mortgage		
Motor Vehicles	424,644	190,328
	5,934,298	5,699,982
Note 17: Other Financial Liabilities		
Non-current		
Debentures	101,992	103,112
The debentures have a 10 year maturity and are non-interest bearing. They are created upon the cancellation of shares of inactive members.		
Note 18: Tax		
a) Liabilities		
Current		
Income tax	–	–
b) Assets		
Deferred tax assets comprise:		
Tax allowances relating to property, plant and equipment	(405,579)	(386,150)
Provisions	207,183	211,628
Other	893,768	824,091
	695,372	649,569
c) Reconciliations		
(i) Gross Movements		
The overall movements in the deferred tax account is as follows:		
Opening balance	649,569	986,462
Charge/(credit) to income statement	45,803	(336,893)
	695,372	649,569
Closing balance	695,372	649,569

	2009 \$	2008 \$
(ii) Deferred Tax Assets		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Tax Allowances relating to Property, Plant & Equipment		
Opening balance	(386,150)	(393,739)
Charged to the income statement	(19,429)	7,590
	(405,579)	(386,150)
Closing balance	(405,579)	(386,150)
Provisions		
Opening balance	211,628	256,148
Credited to the income statement	(4,445)	(44,520)
	207,183	211,628
Closing balance	207,183	211,628
Other		
Opening balance	824,084	1,124,053
Credited (charged) to the income statement	69,684	(299,962)
	893,768	824,084
Closing balance	893,768	824,084
	695,372	649,569
Note 19: Provisions		
Current		
Annual Leave	259,960	287,507
Long Service Leave	358,449	333,400
	618,410	620,907
Non Current		
Annual Leave	–	–
Long Service Leave	27,101	23,206
	27,101	23,206
Aggregate employee entitlements liability	645,511	644,113
Number of employees at year end	87	76
Employee Benefits		
Opening balance at beginning of year	644,113	771,067
Additional provisions raised during the year	319,282	270,836
Amounts used	(317,884)	(397,790)
	645,511	644,113
Balance at end of year	645,511	644,113
Provision for Employee Benefits		
A provision has been recognised for employee entitlements relating to annual and long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been included in Note 1.		
Note 20: Capital and leasing commitments		
Operating lease commitments		
Non-cancellable property leases contracted for but not capitalised in the financial statements:		
Payable – minimum lease payments		
– not later than one year	119,580	102,676
– later than one year but not later than two years	39,940	96,360
– later than two years but not later than five years	–	39,940
	159,520	256,972

	2009 \$	2008 \$
Non-cancellable Hire Purchase/Chattel Mortgage capitalised in the financial statements:		
Payable – minimum lease payments		
– not later than one year	183,687	64,010
– later than one year but not later than two years	117,186	87,517
– later than two years but not later than five years	149,742	49,611
	450,615	201,138
Capital commitments at balance date		
Vehicles and equipment ordered before 30th June, 2009 but not delivered by that date	167,696	–
Note 21: Cash flow information		
Reconciliation of cash flow from operations with profit after income tax		
Profit/(Loss) after income tax	(134,817)	415,343
Non-cash flows in profit from ordinary activities		
Depreciation	823,355	887,763
Net profit on disposal of plant and equipment	(134,258)	(272,228)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(126,556)	(136,325)
(Increase)/decrease in other assets	2,280	(13,195)
(Increase)/decrease in inventories	(358,389)	(220,359)
Increase/(decrease) in trade and other payables	(77,853)	(133,201)
Increase/(decrease) in tax liabilities	–	–
(Increase)/decrease in deferred tax assets	(45,803)	336,893
Increase/(decrease) in provisions	1,398	(126,954)
Increase/(decrease) in debentures	(1,120)	–
Cash flow from operations	(51,762)	737,738

Note 22: Credit Stand-by Arrangement and Loan Facilities

The Co-operative has a bank overdraft and commercial bill facility amounting to \$3,700,000 (2008: \$3,900,000).

At 30 June 2009 \$3,260,006 of this facility was used (2008: \$3,100,000).

Interest rates are variable.

Note 23: Financial Risk Management

a) Financial Risk Management Policies

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

The main purpose of non-derivative financial instruments is to raise finance for the Co-operative's operations.

The Co-operative does not have any derivative instruments at 30th June 2009.

(i) Treasury Risk Management

The Board of Directors sets policies for the management of Treasury Risk in conjunction with our financiers.

(ii) Financial Risk Exposures and Management

The Co-operative is exposed to interest rate variations as applied by our banker, the provider of most of our external finance. Interest rates on hire purchase and chattel mortgage agreements are fixed. The Co-operative is managing this risk by reducing debts.

Foreign currency risk

A percentage of the Co-operative's accounts payable and accounts receivable are in foreign currencies. To this extent the Co-operative is exposed to foreign exchange variations. The Co-operative seeks to minimise this risk by minimising the period of exposure.

Liquidity risk

The Co-operative managed liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained. The Co-operative's policy is to ensure there is adequate funding available for unforeseen circumstances.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30th June, 2009.

The Finance Department monitors credit risk by actively assessing all potential customers for creditworthiness, taking into account their size, market position and financial standing. Customers that do not meet the Co-operative's strict credit policies may only purchase in cash or using recognised credit cards.

The Co-operative does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Co-operative.

The trade receivables balance at 30th June 2009 and 30th June 2008 do not include any counter parties with external credit ratings. Customers are assessed for creditworthiness using the criteria detailed above.

Price risk

The Co-operative is not exposed to any commodity price risk.

b) Financial Instrument Composition and Maturity Analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period to maturity, as well as management's expectations of the settlement period for all other financial instruments. As such the amounts may not reconcile to the balance sheet.

	Weighted Average Effective Interest Rate		Floating Interest Rate Maturing Within 1 Year		Non-interest Bearing	
	2009	2008	2009	2008	2009	2008
	%	%	\$	\$	\$	\$
Financial Assets:						
Cash & cash equivalents	2.15	0.00	47,800	–	5,245	223,442
Receivables	n/a	n/a	–	–	2,704,088	2,785,640
Financial assets	n/a	n/a	–	–	26,842	5,065
Total Financial Assets			47,800	–	2,736,175	3,014,146
Financial Liabilities:						
Bank overdraft secured	7.33	10.35	60,006	–	–	–
Bank bills/loans secured	5.77	7.94	3,200,000	3,100,000	–	–
Trade & other payables	n/a	n/a	–	–	2,390,906	2,468,758
Total Financial Liabilities			3,260,006	3,100,000	2,390,906	2,468,758

c) Net Fair Values

The net fair values of financial assets and liabilities approximate their carrying value.

Note 24: Changes in Accounting Policy

The AASB has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods and which the Co-operative has decided not to early adopt. These standards are outlined below.

AASB Amendment	Standards Affected		Outline of Amendment	Date of the Application	Application date for Group
Amendments to Australian Accounting Standards	AASB8	Segment Reporting	Identify segments by internal reports	1 Jan 2009	1 July 2009
	AASB101	Presentation of Financial Statements	Statement of Comprehensive Income		

The Co-operative does not anticipate early adoption of any of the above reporting requirements and does not expect them to have any material effect on the company's financial statements.

	2009	2008
	\$	\$
Note 25: Issued Capital		
223,134 Shares (2008: 225,654)	156,144	159,049

The right to vote attaches to membership not shareholding. Members are liable for unpaid amounts on shares.

Capital Management

The capital of the Co-operative is subject to the number of active members at any point in time. There are no externally imposed capital requirements. The Board of Directors are aware that the ratio of Borrowings to Capital must be appropriately managed and to this end the borrowings of the Co-operative are maintained as low as possible to allow for the successful operation of the business.

The gearing ratios for the years ended 30th June 2009 and 2008 are:

Total Borrowings	16	3,645,498	3,276,217
Trade and other payables	15,19	3,036,416	3,112,871
Less cash and cash equivalents	7	(53,045)	(218,196)
Net debt		6,628,869	6,170,892
Total equity		8,248,562	8,386,285
Total Capital & Borrowings		14,877,431	14,557,177
Gearing ratio		45%	42%

Note 26: Segment Reporting

The Co-operative operates predominantly in one business and geographical segment being the proving and supply of genetics material throughout Australia.

Note 27: Contingent Liabilities

The Co-operative has received funding from a Government Grant to assist with the conduct of an industry-based project. If these funds are not spent or properly accounted for these funds will need to be returned to the Government. These funds have not been recognised as income.

The directors are not aware of the existence of any other contingent liabilities as at balance date.

Note 28: Events after balance date

After balance date a significant parcel of land, which was excess to the needs of the Co-operative, was sold. This sale will result in a capital profit before tax of an amount in excess of \$500,000.

There have been no other significant events subsequent to balance date.

Note 29: Economic Dependence

The Co-operative is not dependent on any other entities.

Note 30: Related Party Transactions

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

Director's Declaration

We, CA Gardner and SF Bennett, being two Directors of Genetics Australia Co-operative Limited, state on behalf of and in accordance with a resolution of the Directors, declare that, in the opinion of Directors:

1. The accompanying financial statements and notes for the financial year ended 30 June 2009 are prepared in accordance with the requirements of the Co-operatives Act 1996, and:
 - a. give a true and fair view of the financial position as at 30 June 2009 and of the performance of the Co-operative for the year ended on that date; and
 - b. comply with Accounting Standards
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.

3. The Co-operative has kept such accounting records that correctly record and explain the transactions and financial position of the Co-operative.

Declared at and dated at Bacchus Marsh this 26th day of October 2009.

C A Gardner
Director

SF Bennett
Director

Independent Auditor's Report

To the Members of Genetics Australia Co-operative Limited

We have audited the accompanying financial report of Genetics Australia Co-operative Limited (the Co-operative), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Co-operative.

Directors' responsibility for the financial report

The directors of the Co-operative are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Co-operatives Act 1996. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the Co-operatives Act

1996. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates, to any person other than the members, or for any purpose other than for which it was prepared.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Genetics Australia Co-operative Limited on 20th October 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Audit opinion

In our opinion, the financial report of Genetics Australia Co-operative Ltd is in accordance with:

- a. Section 238 of the Co-operatives Act 1996, including
 - (i) giving a true and fair view of the Co-operative's financial position as at 30 June 2009 and of its performance for the year ended on that date
 - (ii) complying with Australia Accounting Standards (including Australian Accounting Interpretations)
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Bell Partners
Chartered Accountants

Ryan H Dummett (Partner)

Registered Company Auditor 217647
Level 7, 468 St. Kilda Road, Melbourne, VIC 3004

Dated this 26th day of October 2009

Genetics
AUSTRALIA
Breeding for Profit
ABN 64 822 392 303

PO Box 195
Bacchus Marsh
Victoria, 3340, Australia
Tel: +61 3 5367 3888
Fax: +61 3 5367 5100
Freecall 1800 039 047
www.genaust.com.au
E-mail: genetics.australia@genaust.com.au