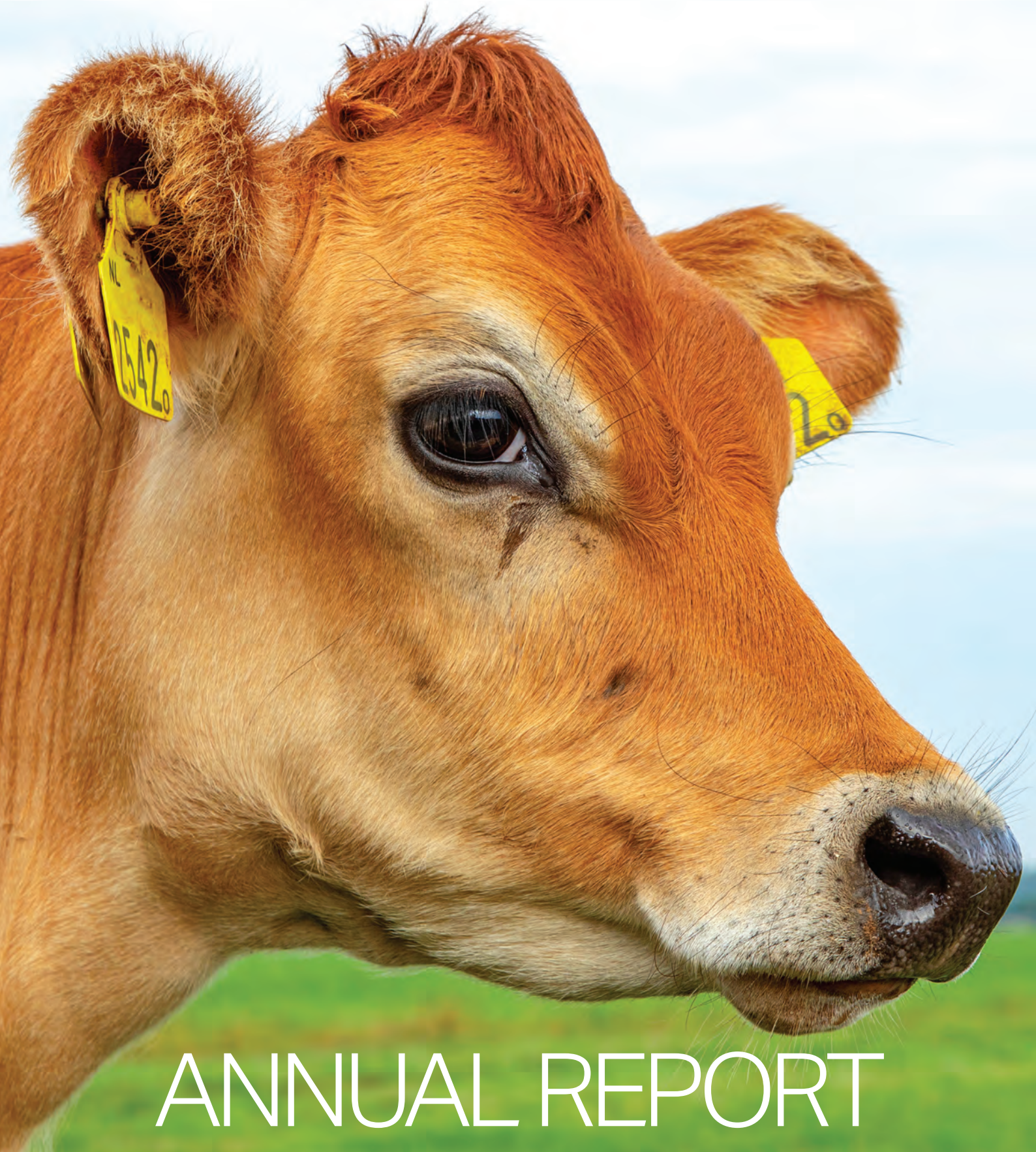




HERD IMPROVEMENT
CO-OPERATIVE AUSTRALIA LTD



ANNUAL REPORT

Year ended 30 April 2023

Board of Directors



HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LTD

REGISTERED OFFICE
2 Foster Street Maffra VIC 3860



CHAIR
AW (Andrew) Verboon
Korumburra



J (Joshua) De Jong
Barongarook West



A (Angela) Forbes
Independent Director



DEPUTY CHAIR
J (Josie) Zilm
Pearsondale



J (Jon) Ryan
Denison



GJ (Gary) Macfarlane
Independent Director

SOLICITOR
Crawford & Smart Pty Ltd

AUDITOR
AMW AUDIT

ACCOUNTANT
A. (Andrew) Martin | Martin Taylor Associates Pty Ltd

BANKER
National Australia Bank Ltd Warragul

Herd Improvement Co-operative Australia Ltd

Notice of Meeting

Notice is hereby given that the Annual General Meeting of the Co-operative will be held at the Mercure Hotel, 23 Mason Street, Warragul on Thursday 7th September, 2023 at 1.30pm in person and via Zoom.

Lunch will be available from 12.30pm prior to the AGM.

Business

1. To confirm minutes of the Annual General Meeting of Herd Improvement Co-operative Australia Ltd, held on the 3rd November, 2022.
2. To receive and consider the reports of the Directors and Auditors and Statements of Accounts for the year 30th April 2023. Our Annual Report is available on the Hico website.
3. To determine the remuneration of the directors.
4. General Business



Andrew Verboon
Chair

CHAIR'S REPORT

Dear Members,

The financial year ending April 2023 saw a positive financial turnaround from the previous season. Under the experienced management of Phil Wren, acting as General Manager for both NHD and Hico, on the strength of expense scrutiny, operational collaboration, and resource sharing across both organisations, our Co-operative has returned to profitability.



The work on the intended merger of Hico and NHD continues. We have engaged specialist legal and financial advisors to counsel both organisations throughout the process, ensuring proper process and tax compliance/benefits. We are aiming to formally merge in full readiness for the 2023/24 financial year. It has been extremely pleasing to see the co-operation between the Hico and NHD organisations. At the operational site level, knowledge and resource sharing has been a hallmark of the co-operation between the various managements and staffs. The Directors of our respective Boards have had the opportunity to get to know each other and to work through achieving what we are excited to see as a strong, united, and effective Herd Improvement Co-operative of the future.

During the year our Board appointed Angela Forbes into a 12-month Independent Director position. Angela brings a wealth of experience in governance and management at CEO level in the not-for-profit sector. This experience has been advantageous for Hico as we work through the various governance and related merger activities.

Some of our customers have experienced a difficult year this season, with serious flooding in some areas and generally wet conditions in others through the 2022 Spring period. Consequently, the Hico business has experienced a decrease in herd recording/milk testing, however, the business is now returning to normal levels as weather patterns look to swing quickly toward drier conditions. We continue to see a strong milk price in our industry, nevertheless, like our farmers, Hico is also navigating new norms with labour availability and business input costs. We continue to carefully monitor and manage our business to ensure we are providing value for our members across our complete service offering.

Hico and NHD have signed a contract with DataGene for the provision of the HerdPlatform application, which will provide farmers and advisors with access to DataGene information critical to uplifting the genetic capability of the Australian Dairy Industry and will ensure the herd improvement data we have can be shared to the greater benefit of all Australian dairy farmers. We continue to work closely with all our industry partners to gain efficiencies and improvements across the industry.

Mistro upgrades have seen a move to cloud-based data storage and the deployment of a new app for recording on farm sampling. With the merger a refocus on Mistro development will be a priority for the future co-operative.

The Hico Board wishes to express our gratitude to Phil Wren and the NHD Board for their continued support of Hico, and we look forward to becoming an enhanced and improved co-operative for our Dairy and Beef farmers.

The Board would like to extend a sincere thankyou to all our farmer members, customers, employees, and suppliers for working with us as we continue the merger process with NHD and as we look forward to providing an enhanced, vibrant, resilient, hard-working, future focused co-operative for our Dairy Industry.



Andrew Verboon
Chair
Herd Improvement Co-operative Australia Ltd

STATUTORY REPORT OF THE DIRECTORS

To the members

Your directors present their report, together with the audited accounts of the Co-Operative for the year ended 30 April 2023.

The names of the directors in office at the date of this report are:

Andrew VERBOON (Chair)
Josie ZILM (Deputy Chair)
Josh DE JONG
Jon RYAN
Gary MACFARLANE
Angela FORBES

The comprehensive income (profit) for the year ended April 2023 after tax was \$126,409 2022 - (\$459,728).

A review of the operations of the Co-Operative during the year is as follows:

The principal activities of the Co-Operative during the year continued to involve the retailing of cattle semen, artificial insemination, and herd recording of dairy cattle. The Co-Operative also sold other items complimentary to the principal activity and involves the sale and servicing of milking equipment.

There have been no significant changes in the nature of the activities during the year under review.

Other likely developments in the operations of the Co-Operative and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Co-Operative.

The Co-Operative's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

No dividend has been paid or has been declared since the start of the financial year.

No options over the issued shares or interests in the Co-Operative were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

STATUTORY REPORT OF THE DIRECTORS

The names of directors of the Co-Operative who have held office during the year ended 30 April 2023 are set out in the Directors Report. The number of Directors' meetings and the number of meetings attended during the twelve months were:

Director	No. of meetings eligible to attend	No. of meetings attended
A Verboon (Chair)	9	9
J Zilm (Deputy Chair)	9	9
J De Jong	9	9
J Ryan	9	8
G Macfarlane	9	9
A Forbes	9	8

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who has been an officer or auditor of the Co-Operative.

Auditors Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 was provided to the Directors and is set out in the financial reports.

Signed in accordance with a resolution of the Board of Directors:



A. VERBOON
Director



J. ZILM
Director

Dated this 10th day of August 2023

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2023

	Note	2023 \$	2022 \$
Revenue	3	9,254,275	10,726,088
Total revenue		9,254,275	10,726,088
Changes in inventory		(34,395)	(37,765)
Purchases		(3,781,512)	(4,696,469)
Employee benefits expense		(2,999,500)	(4,199,591)
Depreciation and amortisation expense		(241,385)	(275,691)
Other expenses from ordinary activities		(1,727,018)	(2,150,344)
Total expenses	4	(8,783,810)	(11,359,860)
Profit/(Loss) before income tax		470,465	(633,772)
Income tax (expense)/benefit	5(a)	(344,056)	174,044
Profit/(Loss) for the year		126,409	(459,728)
Other comprehensive income:			
Net gain on revaluation of land and buildings		905,755	-
Other comprehensive income for the year, net of tax		905,755	-
Total comprehensive profit / (loss) for the year		1,032,164	(459,728)

The accompanying notes form part of this financial report

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642
STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2023

	Note	2023 \$	2022 \$
CURRENT ASSETS			
Cash	18a	1,303,279	850,441
Trade & other receivables	6	1,661,896	1,535,745
Inventories	7	529,882	564,277
TOTAL CURRENT ASSETS		3,495,057	2,950,463
NON-CURRENT ASSETS			
Financial assets	8	4,981	2,830
Property, plant & equipment	9	3,014,659	2,209,356
Right-of-use asset	10	187,564	112,764
Deferred tax assets	5(c)	116,375	141,205
TOTAL NON-CURRENT ASSETS		3,323,579	2,466,155
TOTAL ASSETS		6,818,636	5,416,618
CURRENT LIABILITIES			
Payables	11	522,461	446,996
Short-term provisions	12(a)	393,868	492,227
Interest-bearing liability	13(a)	78,030	31,569
Other	14	230,927	225,654
TOTAL CURRENT LIABILITIES		1,225,286	1,196,446
NON-CURRENT LIABILITIES			
Long-term provisions	12(b)	15,533	16,712
Interest-bearing liability	13(b)	205,089	87,477
Deferred tax liabilities	5(c)	286,861	80,563
TOTAL NON-CURRENT LIABILITIES		507,483	184,752
TOTAL LIABILITIES		1,732,769	1,381,198
NET ASSETS		5,085,867	4,035,420
EQUITY			
Issued share capital	15	13,816	15,674
Asset revaluation reserve		1,147,444	241,689
Retained profits		3,924,607	3,778,057
TOTAL EQUITY		5,085,867	4,035,420

The accompanying notes form part of this financial report

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED

ABN: 19 459 932 642

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2023**

	Share Capital	Retained Earnings	Asset Revaluation Reserve	Total Equity
	\$	\$	\$	\$
Balance at 1 May 2021	15,726	4,237,785	241,689	4,495,200
Loss attributable to shareholders	-	(459,728)	-	(459,728)
Shares redeemed during the year	(52)	-	-	(52)
Balance at 30 April 2022	15,674	3,778,057	241,689	4,035,420
Adjustment made to retained earnings due to prior year error	-	20,141	-	20,141
Adjusted Balance at 30 April 2022	15,674	3,798,198	241,689	4,055,561
Balance at 1 May 2022	15,674	3,798,198	241,689	4,055,561
Asset Revaluation	-	-	905,755	905,755
Profit attributable to shareholders	-	126,409	-	126,409
Shares redeemed during the year	(1,858)	-	-	(1,858)
Balance at 30 April 2023	13,816	3,924,607	1,147,444	5,085,867

The accompanying notes form part of this financial report

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 APRIL 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts			
Customers		8,969,574	10,728,839
Interest received		8,545	296
		<u>8,978,119</u>	<u>10,729,135</u>
Payments			
Tax paid			
Suppliers & employees		<u>(8,529,634)</u>	<u>(11,195,258)</u>
Net cash from/(used in) operating activities	18(a)	<u>448,485</u>	<u>(466,123)</u>
Cash flow from investing activities			
Proceeds from the sale of property, plant & equipment		158,404	53,134
Payments for property, plant & equipment		(187,016)	(121,521)
Payments for security deposits		(2,151)	
Net cash (used in) investing activities		<u>(30,763)</u>	<u>(68,387)</u>
Cash flow from financing activities			
Increase/(Decrease) in shares issued		(1,858)	(52)
Payments for lease liability		(47,828)	(28,102)
Proceeds from financing loan		84,802	
Net cash from financing activities		<u>35,116</u>	<u>(28,154)</u>
Net increase/(decrease) in cash		<u>452,838</u>	<u>(562,664)</u>
Opening cash		850,441	1,413,105
Closing cash	18(a)	<u><u>1,303,279</u></u>	<u><u>850,441</u></u>

The accompanying notes form part of this financial report

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

NOTE 1 - Basis of Preparation

This financial report covers the financial statements and notes of the economic entity of Herd Improvement Co-Operative Australia Limited "Hico".

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Simplified Disclosures of the Australian Accounting Standards Board (AASB) and the Co-Operatives National Law.

NOTE 2 - Summary of Significant Accounting Policies

(a) Introduction

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

The financial statements have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(b) Depreciation

All plant, equipment and motor vehicles and buildings are depreciated on a diminishing or straight-line basis to write off the assets over their useful life commencing from the time the asset is held ready for use. Depreciation is recognised in the statement of comprehensive income.

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

Class of Asset	Depreciation Rate
Buildings	2.5%
Leasehold Improvements	33.33%
Plant & Equipment	5% to 40%
Motor Vehicles	18.75% to 22.5%
Office Equipment	15% to 40%

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

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 included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(c) Inventories

Inventories comprise goods purchased for resale. These inventories are valued at the lower of cost and net realisable value on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

A Provision for the Impairment of Receivables is made when there is objective evidence that the Co-operative will not be able to collect the debts. Bad debts are written off when identified.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

NOTE 2 - Summary of Significant Accounting Policies (Continued)

(d) Trade and other receivables

Trade receivables, which comprise amounts due from sales of merchandise and from services provided to customers, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts. Normal terms of settlement are 30 days from the rendering of an account. The notional amount of the receivable is deemed to reflect fair value.

(e) Employee Benefits

Provision is made for the co-operative's liability for employee benefits arising from services rendered by employees to balance date. Liabilities for employees' entitlements to wages and salaries and annual leave are accrued at nominal amounts calculated on the basis of current wage and salary rates plus on-costs.

A liability for long service leave is recognised and is measured as the present values of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to projected future wages and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates based on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. The current portion of the Long Service Leave provision is based on all employees with greater than six years' service as there is an unconditional obligation.

(f) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Herd Recording Fees that are paid in advance are apportioned over the months that testing services will be provided in order to more accurately reflect the income applicable to each financial period. A reconciliation process is performed at the conclusion of the herd-testing season. If applicable unspent fees are refunded to customers.

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

The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the asset at the time of the disposal and the net proceeds on disposal.

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

(g) Income Tax

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. 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 outside the profit and loss when the tax relates to items that are recognised outside the profit and loss.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

NOTE 2 - Summary of Significant Accounting Policies (Continued)

(g) Income Tax (continued)

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 is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. 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 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 legally enforceable right of set-off exists, 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.

(h) Property, Plant & Equipment

Each class of property, plant and equipment and motor vehicle is carried at cost or fair value, less where applicable, any accumulated depreciation and impairment losses. Any property, plant and equipment donated to the Co-operative or acquired for nominal cost is recognised at fair value at the date the Co-operative obtains control of the assets.

Property

Freehold land and buildings are measured at fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings and less any impairment losses recognised after the date of the revaluation. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying value of the assets and the net amount is restated to the adjusted amount of the asset.

Increases in the carrying amount arising from revaluation of land and buildings are credited to a revaluation surplus in other comprehensive income. Decreases that offset previous increases of the same asset are charged against revaluation surpluses directly in other comprehensive income; all other decreases are charged to the statement of comprehensive income.

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 re-valued amount of the asset.

Plant & Equipment

Plant and equipment and motor vehicles are measured on a cost basis, less depreciation and impairment losses. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal.

The recoverable amount of individual assets or classes of non-current assets is reviewed annually to determine whether they are in excess of their recoverable amount at balance date.

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

NOTE 2 - Summary of Significant Accounting Policies (Continued)

(i) 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 assets or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The cash flow statement also shows cash inflows and outflows inclusive of GST. Cashflows are presented in the cashflow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(j) Cash and Cash Equivalents

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

(k) Trade and other payables

Trade payables and other payables represent liabilities for goods and services provided to the Co-operative prior to the end of the financial year that are unpaid. These amounts are usually settled in 30 days.

(l) Comparative Figures

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

(m) 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 maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after the reporting date, which will be classified as current assets.

(n) Leases

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments.

At commencement of the lease, the right-of-use assets are measured at cost. This cost consists of the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, less any lease incentives received, and any initial direct costs incurred. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The total lease payments are discounted using the interest rate implicit in the lease and where that rate cannot be readily determined, the weighted average incremental borrowing rate of the Co-operative is used.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

	2023	2022
	\$	\$
NOTE 3 - REVENUE		
OPERATING ACTIVITIES		
Herd testing & cell count fees	2,552,775	2,707,814
Semen sales	2,575,503	2,880,260
Farm Services sales	3,723,477	4,893,940
Mistro services	143,267	163,220
Interest received	8,545	296
Profit/(Loss) on sale of assets	67,118	22,668
Other income	183,590	57,890
TOTAL REVENUE	<u>9,254,275</u>	<u>10,726,088</u>

NOTE 4 - EXPENSES (DETAILED)

Project Expenses	-	72,699
Audit Fees	15,250	18,330
Bad & Doubtful Debts	5,070	6,189
Bank fees & Interest	18,590	15,017
Cost of Sales - Semen	1,778,076	2,026,539
Cost of Sales - Farm Services	2,037,831	2,707,695
Depreciation & Amortisation	241,385	275,691
Directors Fees	74,781	74,761
General Expenses	172,012	236,402
Insurance	131,307	135,092
Material Costs	298,554	358,956
Postage, Telephone, Electricity & Stationary	175,032	175,721
Professional and Consulting Fees	88,237	184,408
Rent & Rates	22,242	21,646
Repairs	80,394	69,119
Salaries & On-Costs	2,999,500	4,199,591
Staff Recruitment	2,644	12,035
Computer Requisites	115,282	143,906
Subscriptions	3,545	3,753
Sub-contractors	47,683	105,177
Training Expenses	10,431	22,941
Travelling & Motor Vehicle Expenses	465,964	494,192
TOTAL EXPENSES	<u>8,783,810</u>	<u>11,359,860</u>

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

	2023	2022
	\$	\$
NOTE 5 (a) - INCOME TAX EXPENSE/(BENEFIT)		
The components of tax expense comprise:		
Current tax	117,616	(158,443)
Adjustments Resulting from the Change in Tax Rate	-	44,462
Adjustments to Prior Year Provision Balances	-	(60,063)
Tax effect of revaluation of land & buildings	226,440	-
	<u>344,056</u>	<u>(174,044)</u>

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

Prima facie tax on profits(losses):	344,056	(174,044)
Plus (Less) Tax effect of:		
Timing Difference Attributed to non-cash movements	(24,830)	(18,997)
	<u>319,226</u>	<u>(193,041)</u>

NOTE 5 (b) - CURRENT TAX

Income Tax Payable (Refundable)	-	-
	<u>-</u>	<u>-</u>

NOTE 5 (c) - NON-CURRENT

	Opening Balance	Charged to income	Charged directly to equity	Closing balance
Deferred Tax Liability				
Land & Building Revaluation	103,581	(23,018)	-	80,563
Balance at 30 April 2022	<u>103,581</u>	<u>(23,018)</u>	<u>-</u>	<u>80,563</u>
Land & Building Revaluation	80,563	-	226,439	307,002
Adjustment due to prior year error	(20,141)	-	-	(20,141)
Balance at 30 April 2023	<u>60,422</u>	<u>-</u>	<u>226,439</u>	<u>286,861</u>
Deferred Tax Asset				
Provisions	192,242	(18,997)	(32,040)	141,205
Tax losses				
Balance at 30 April 2022	<u>192,242</u>	<u>(18,997)</u>	<u>(32,040)</u>	<u>141,205</u>
Provisions	141,205	(24,830)	-	116,375
Tax losses				
Balance at 30 April 2023	<u>141,205</u>	<u>(24,830)</u>	<u>-</u>	<u>116,375</u>

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

	2023	2022
	\$	\$
NOTE 6 - TRADE & OTHER RECEIVABLES		
Trade Debtors	1,070,448	1,035,018
Less Provision for Impairment	<u>(50,000)</u>	<u>(50,000)</u>
	1,020,448	985,018
Other receivables and prepayments	379,592	196,084
Income Tax Refundable	<u>261,856</u>	<u>354,643</u>
Total Trade & Other Receivables	<u>1,661,896</u>	<u>1,535,745</u>
NOTE 7 - INVENTORIES		
Merchandising, semen & milk harvesting	<u>529,882</u>	<u>564,277</u>
NOTE 8 - FINANCIAL ASSETS		
Shares in unlisted companies, at cost	630	630
Security deposit	<u>4,351</u>	<u>2,200</u>
Total Financial Assets	<u>4,981</u>	<u>2,830</u>
NOTE 9 - PROPERTY, PLANT & EQUIPMENT		
Land at fair value	1,180,000	480,500
Buildings at fair value	841,979	647,469
Buildings at Cost (Leasehold improvement 2019)	53,322	53,322
Less Accumulated depreciation	<u>(50,301)</u>	<u>(50,301)</u>
	<u>2,025,000</u>	<u>1,130,990</u>
Motor vehicles at cost	1,720,365	1,948,647
Less Accumulated depreciation	<u>(1,103,588)</u>	<u>(1,315,774)</u>
	<u>616,777</u>	<u>632,873</u>
Office equipment at cost	265,514	277,992
Less Accumulated depreciation	<u>(219,029)</u>	<u>(219,739)</u>
	<u>46,485</u>	<u>58,253</u>
Plant & equipment at cost	2,377,492	2,394,534
Less Accumulated depreciation	<u>(2,060,754)</u>	<u>(2,016,953)</u>
	<u>316,738</u>	<u>377,581</u>
	<u>3,005,000</u>	<u>2,199,697</u>
Works in Progress - Software	<u>9,659</u>	<u>9,659</u>
Total property, plant & equipment	<u>3,014,659</u>	<u>2,209,356</u>

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

NOTE 9 - PROPERTY, PLANT & EQUIPMENT (CONTINUED)

MOVEMENTS IN CARRYING AMOUNTS

Consolidated Movement in the carrying amounts for each class of property, plant & equipment

	Land	Buildings	Office Equipment	Plant and Equipment	Motor Vehicles	Work in Progress	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 May 2021	480,500	666,247	33,000	436,835	731,666	21,386	2,369,634
Additions		3,192	37,812	16,448	53,817		111,269
Disposals				(3,860)	(141,135)	(11,727)	(156,722)
Depreciation		(18,949)	(12,559)	(71,842)	(11,475)		(114,825)
Balance at 30 April 2022	480,500	650,490	58,253	377,581	632,873	9,659	2,209,356
Additions		1,669	2,044	13,648	169,296		186,657
Disposals			(1,870)	(12,590)	(76,825)		(91,285)
Depreciation		(13,414)	(11,942)	(61,901)	(108,567)		(195,824)
Revaluation	699,500	206,255					905,755
Balance at 30 April 2023	1,180,000	845,000	46,485	316,738	616,777	9,659	3,014,659

Land and Buildings, Maffra and at Korumburra were valued by Lee Property Valuers & Advisors 30 April 2023.

	2023	2022
	\$	\$
NOTE 10 - RIGHT-OF-USE		
Right-Of-Use (At Cost)	293,240	226,937
Less: Accumulated Amortisation	(105,676)	(114,173)
	187,564	112,764

**NOTE 11 - TRADE AND OTHER
PAYABLES**

Trade Creditors	344,713	302,892
Sundry Creditors	177,748	144,104
	522,461	446,996

Credit Stand-by arrangements and Loan Facilities

The Co-Operative has a bank overdraft facility amounting to \$470,000, asset financing-lease facility of \$300,000.

At 30 April 2023, the asset financing-lease facility was being utilised. Freehold properties owned by the Co-Operative in Maffra are used as security.

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

	2023	2022
	\$	\$
NOTE 12 - PROVISIONS		
(a) Current liabilities		
Annual leave	173,406	220,513
Long service leave	220,462	271,714
	<u>393,868</u>	<u>492,227</u>
(b) Non-current liabilities		
Long service leave	<u>15,533</u>	<u>16,712</u>
NOTE 13 - INTEREST-BEARING LIABILITY		
(a) Current liability		
Lease Liability	62,393	31,569
NAB Equipment Loan	15,637	-
	<u>78,030</u>	<u>31,569</u>
(b) Non-current liability		
Lease Liability	135,924	87,477
NAB Equipment Loan	69,165	-
	<u>205,089</u>	<u>87,477</u>
<p>The Co-operative entered into two (2) facilities with the National Australia Bank Limited (NAB) for the purchase of three (3) motor vehicles. Both facilities are with a term of 60 months. Facility 1 is maturing in March 2028 with a remaining loan balance of \$32,334.41 as at balance sheet date. Facility 2 is maturing in December 2027 with a remaining loan balance of \$52,467.81 as at balance sheet date.</p>		
NOTE 14 - OTHER LIABILITIES		
Prepaid herd recording fees	216,233	225,654
Advances from customers	14,694	-
	<u>230,927</u>	<u>225,654</u>
NOTE 15 - SHARE CAPITAL		
Authorised capital		
6,908 shares of \$2 each (2022 7,837 shares of \$2 each)	13,816	15,674
Issued & paid up capital		
6,908 shares of \$2 each (2022 7,837 shares of \$2 each)	13,816	15,674
Share movement		
Opening Balance	15,674	15,726
Shares issued(redeemed) during the year	(1,858)	(52)
Closing balance	<u>13,816</u>	<u>15,674</u>

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

NOTE 16 - CAPITAL COMMITMENTS

The Co-operative had no capital commitments at balance date.

NOTE 17 - RELATED PARTY TRANSACTIONS

The only transactions with directors and director related entities were on normal trading terms available to all Co-Operative members. Total sales to directors during the 2023 were \$132,835 (2022 \$205,729).

	2023	2022
	\$	\$
NOTE 18 - CASH FLOW STATEMENT		
(a) Cash at the end of the period, as shown in the Cash Flow Statement, is reconciled to the related items in the balance sheet as follows:		
Cash at Bank - General	<u>1,303,279</u>	<u>850,441</u>
	<u>1,303,279</u>	<u>850,441</u>
Reconciliation of Net Cash from operating activities to Net Profit/(Loss) after income tax.		
Net profit/(loss) after income tax	126,409	(459,728)
Non-cash flows in Net Profit		
Depreciation & Amortisation	241,385	275,691
(Profit)/Loss on Sale of Assets	(67,118)	(22,668)
Interest on Lease Liability	7,095	4,694
Changes in assets & liabilities		
(Increase)/Decrease in Accounts Receivable	(35,430)	52,180
(Increase)/Decrease in Other Receivables and Prepayments	(183,507)	(8,532)
(Increase)/Decrease in Inventories	34,395	37,765
Increase/(Decrease) in Accounts Payable	95,605	(96,415)
Increase/(Decrease) in Prepaid Herd Recording Fees	5,274	(9,198)
Increase/(Decrease) in Provision for Annual Leave	(47,107)	(60,224)
Increase/(Decrease) in Provision for Long Service Leave	(52,431)	(5,644)
(Increase)/Decrease in Future Tax Benefit	24,830	51,037
Increase/(Decrease) in Income Tax Refundable	92,787	(202,063)
Increase/(Decrease) in Deferred Tax Liabilities	206,298	(23,018)
Net cash from/(used in) operating activities	<u>448,485</u>	<u>(466,123)</u>

(b) Non-cash financing and investing activities

During the period the Co-Operative did not acquire property, plant and equipment using non-cash financing methods.

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

	2023	2022
	\$	\$

NOTE 19 A -REMUNERATION AND RETIREMENT BENEFITS

Income paid or payable to all directors of the Co-Operative and any related parties

- Directors fees	67,803	65,291
- Directors travel, accommodation & out of pocket expenses	6,978	9,471

The number of directors whose income from the Co-Operative or related bodies was within the following bands:

	No.	No.
\$0 to \$9,999	2	4
\$10,000 to \$19,999	4	3
\$20,000 to \$29,999	-	-

NOTE 19 B - KEY MANAGEMENT PERSONNEL

The names and positions of those having authority for planning, directing and controlling the co-operative's activities, directly or indirectly are:

Mr A Verboon	Chair	Farmer elected
Mrs J Zilm	Deputy Chair	Farmer elected
Mr J De Jong	Director	Farmer elected
Mr J Ryan	Director	Farmer elected
Mr P Wren	General Manager	
Mr. G Macfarlane	Director	Independent
Mrs A Forbes	Director	Independent

There were no changes to the Key Management Personnel after reporting date and before the date the financial report was authorised for issue.

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 APRIL 2023

NOTE 20 - CONTINGENT LIABILITY

The Co-operative had no contingent liabilities as at 30 April 2023.

NOTE 21 - SUBSEQUENT EVENTS

Herd Improvement Co-operative Australia Limited (HICO) and National Herd Development (NHD) signed a Memorandum of Understanding (MOU) agreeing to work in partnership to transition into a single Co-Operative. On 21 July 2023, the Board members of NHD and HICO announced their intention to pursue a merger of the two (2) Co-operatives, ensuring a sustainable herd improvement sector servicing farmers throughout Victoria, South Australia and Southern New South Wales.

Apart from the above, the Board of Directors are not aware of any significant events since the end of the reporting period.

NOTE 22 - CO-OPERATIVE DETAILS

Name

Herd Improvement Co-operative Australia Limited, ABN 19 459 932 642

Registered Office and Principal Place of Business

2 Foster Street, Maffra Victoria 3860

Telephone: (03) 51471633

Co-operative website

www.hico.com.au

Co-operative Auditors

AMW Audit

Chartered Accountants

Unit 8, 210 Winton Road Joondalup WA 6027

HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED
ABN: 19 459 932 642

DIRECTORS' DECLARATION

The Directors have determined that the Co-operative is not a reporting entity and that this general purpose financial report should be prepared in accordance with the accounting policies outlined in Note 2 to the financial statements.

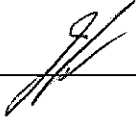
The Directors of the Co-operative declare that:

- 1 The financial statements and notes, present fairly the Co-operative's financial position as at 30 April 2023 and its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial report; and
- 2 In the Directors' opinion, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they become due and payable.

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

Dated this 10th day of August 2023.

Director:





INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HERD IMPROVEMENT CO-OPERATIVE AUSTRALIA LIMITED

Opinion

We have audited the financial report of Herd Improvement Co-operative Australia Limited (the Co-operative), which comprises the statement of financial position as at 30 April 2023, the statement of comprehensive income, statement of changes in equity and 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 Herd Improvement Co-operative Australia Limited has been prepared in accordance with the Co-operatives National Law Application Act 2013, including:

- (i) giving a true and fair view of the Co-operative's financial position as at 30 April 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards as disclosed in Note 2.

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 Co-operative in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Responsibilities of Directors for the Financial Report

The directors of the Co-operative are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards 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 Co-operative 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 Co-operative or to cease operations, or have no realistic alternative but to do so.

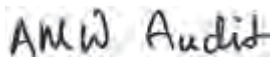
Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 Co-operative'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 Co-operative'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 Co-operative 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 Co-operative to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Co-operative's 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.



AMW AUDIT

Chartered Accountants



BILLY-JOE THOMAS

Director & Registered Company Auditor

Dated at Perth, Western Australia this 10th day of August 2023.



AUDITOR'S INDEPENDENCE DECLARATION

To: The Directors of Herd Improvement Co-operative Australia Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Herd Improvement Co-operative Australia Limited. As the audit partner for the audit of the financial report of Herd Improvement Co-operative Australia Limited for the year ended 30 April 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Dated this 10th day of August 2023

AMW (AUDIT) PTY LTD

A stylized, handwritten-style signature that reads 'AMW Audit' in a dark, textured font.

AMW AUDIT
Chartered Accountants

A handwritten signature in black ink, appearing to read 'B. J. Thomas'.

BILLY-JOE THOMAS
Director & Registered Company Auditor



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MAFFRA

2 Foster Street
Maffra 3860

Phone 5147 1633

COLAC

2/345 Princes Hwy
Colac West 3250

Phone 5231 5166

KORUMBURRA

33 Station Street
Korumburra 3950

Phone 5658 1311

WARRAGUL

18A Pearse Street
Warragul 3820

Phone 5623 2207

info@hico.com.au

www.hico.com.au



HERD IMPROVEMENT
CO-OPERATIVE AUSTRALIA LTD

www.hico.com.au