

ANNUAL REPORT 2020/21



Holstein

A U S T R A L I A

**Presented at the 34th Annual General Meeting
of the Holstein-Friesian Association of Australia Incorporated
Thursday October 14 2021.**

THE HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INC.

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PRESIDENT'S REPORT

Garry Carpenter

President, Gunns Plains, TAS

Looking back little did I think we would be where we are now with the Association, like much of eastern Australia, operating under if anything greater COVID restrictions than at the beginning of the last financial year.

Business as usual (or not so much)

That said for the majority of members, operations on farm have continued in the normal way with fortunately little negative impact on the dairy industry. For Holstein Australia staff, the majority of whom are based in Melbourne - the city with the distinction of operating under the world's longest COVID lockdown - the situation has been very different.

I take my hat off to the entire HA team who have continued to provide essential member services under the most challenging of conditions. Most of our office based staff have been working from home, many juggling home schooling along with work as well as increasing levels of restriction. On behalf of every HA member, thank you and we know it has been far from easy.

The relative health of the dairy sector combined with the commitment and effort of the HA team saw an increase in numbers for all core services, 7% for registrations, 29% for classification and a 31% increase in genomic testing. An impressive result.

Registration – Real Value

The value of registered Holsteins continues to be underlined by export heifer prices in excess of \$2,000 coupled with increased demand for these animals. Over the last 12 months, domestic sale prices of Holsteins have also increased, with the premium paid for registered animals at member sales and longstanding Australian cow families increasing. The numbers don't lie. Registration is a real investment in your herd asset.

The outlook for our sector overall is positive. We entered the current financial year off the back of a relatively good season, the milk price remains solid and all the indicators I've seen are predicting continued growth in dairy demand, factors which should enable HA members to plan ahead with some confidence.

Remembering.....

The last year also saw the passing of WA member stalwart former Federal President Ray Blackburn. A passionate breeder and ambassador for Holsteins over his 36 year membership of the Association, Ray received the Master Breeder Award in 2001 and Honorary Federal Life Membership in 2016. Our thoughts are with Lois and his family.

A very familiar voice to many HA members also passed away during the year. For almost as long as I can remember Julie Lowe was an HA constant, ever ready to help out on the phone with Holstein administration matters. I know from her colleagues that many members got in touch

to express their condolences and share reminiscences, underlining to me the strength and supportive nature of the Holstein community.

New leadership begins

Taking up the position of CEO at the beginning of the financial year, I'd like to congratulate Rohan Butler on his transition into the role. It has not been without its challenges, COVID and otherwise, but through it all he has steered the ship to deliver a strong result for the Association and its members. He, along with the management team and key staff members, have also been focused on delivering against HA's strategic business plan, a process which to date has seen our communications function strengthened, improved engagement with Sub-branches and new members, attention turned to refining our youth programs to better meet the needs of our younger members and industry and the launch of our new online sale platform for members.

The way HA is working to the new business plan also underlines the increasing adaptability of the Association, changing and improving the way it works on behalf of members, delivering new services and developing initiatives that meet the ever changing needs of industry and members.

I would also like to acknowledge my fellow directors. It has been a while since we have seen each other in person, but with communication technology being what it is, we have continued to work very effectively together.

Fellow Directors

Phil Hall as Audit and Finance committee representative has overseen a strong year financially for the Association; the Breed Development and Conformation Committee has made solid progress on a number of breed development initiatives under the stewardship of Gino Pacitti. I would like to join Gino in acknowledging the contribution of former BDCC Chair, HA Vice-President Jenny Grey, to both the Committee and the breed. Throughout the year Jenny has advocated on a number of issues on behalf of members. Our newest Board member, Jacqui Soares, is now overseeing youth activities in conjunction with the newly formed Youth Action Committee and HA office.

To all our members, I wish you a successful year ahead. The Association and the industry are in a good place to grow and develop into the future.

*Garry Carpenter
President and Chair of the Board*

AUDIT and FINANCE REPORT

Phil Hall

Representative, the Audit and Finance Committee, Wokalup, WA

In last year's report to members the 2019/20 financial year was described as "a year of two halves". In the financial year just ended, I believe the most apt description would be the year was "same/same but different"!

Same as in the Association operated under similar conditions to 2019/20 insofar as COVID restrictions allowed with on again/off again travel and working from home restrictions. However, the year was very different in the sense of the underlying success of the business that was experienced to 30 June.

I am happy to announce another profitable year for the Association: the third year in succession with the audited accounts showing a total surplus of \$961,892 with the operating surplus of \$547,481 up 16%.

As was the case last year the result reflects a continuation of revenue growth in our services and export activity coupled with ongoing financial support from government as businesses such as ours battled their way through the COVID-19 pandemic. Likewise, our investment portfolio reaped the benefits of the global economic recovery during the second half of 2020/21 with an unrealised gain of \$414,411 - up 139% on last year. This consists of both capital growth and cash contributions.

The positive knock-on effect to our balance sheet sees member equity at \$4.2 million, up nearly \$1.0 million or 23% from the previous year.

2020/21 Profit & Loss

Revenue

Revenue for the year increased by 8% or \$326,624 to \$3.8 million with gains in first tier services of registrations, classification and genetics testing. Registration revenue was up 3% to \$449,995 on 2019/20 and was on par with budget. Classification recovered well with a 40% improvement in revenue of \$964,866 or 24% and 19% above budget as classifiers took advantage of easing travel restrictions.

Genetics testing contributed \$417,492 up 16% on last year and 15% above budget.

Subscriptions and Package fees maintained previous income levels and were in line with budget.

Export revenue continued at a higher level of activity with an 11% increase in revenue to \$1.1 million.

As reported in 2019/20 our second tier or non-operational income was dominated by ongoing Government assistance to help offset COVID's impact on business. Total funding for this financial year was \$178,500 or 15% up on last year. This increase was based on longer periods of support rather than a change in eligible funding.

Expenses

Total expenses increased by 7% to \$3.3 million.

With classifiers back on the road, classification expenses were up 30% to \$681,154 and up 42% against budget however, this reflects the unpredictability of forecasting fieldwork during on again/off again government lockdowns.

Other main expense categories such as member services were up 29% from last years but only 4% against budget on the back of removal of payroll tax exemptions during COVID, training and accounting for a full year of executive salary re-categorising following transition.

Genomic testing and export charges were higher by 21% and 20% respectively, the increases in line with higher activity volumes, and were above budget consequently.

Overall, the management of operating expenses during 2020/21 proved to be a good outcome considering the challenges throughout the year.

2020/21 Balance Sheet

At 30 June 2021, total equity sits at \$4.21 million, an increase of 23% on last financial year.

Total assets increased by 22% to \$5.2 million. Current assets increased by 3% while non-current assets increased by 29% or \$1.1 million. The main contributors were the gains made in the investment portfolio and the decision to renew the classifier car fleet with leases to make use of historically low interest rates.

Total liabilities increased by 18% to \$986,160 with current liabilities increasing by \$144,925 and non-current liabilities by \$37,437. Provisions and lease liabilities accounted for most of those increases.

As stated earlier member funds continue to grow and for the third year in succession. Member equity is now at \$4.2 million, up by \$961,892 or 23% from the previous year.

Summary

The Association's financial performance witnessed in 2020/21 is without doubt one for the record books brought about by a combination of improved service demand, investment growth and government funding.

This allowed the board to make prudent investment decisions for the short and long-term needs of the Association.

Budget 2021/22

The 2021/22 budget is a budget for the immediate and future needs of the Association. Last year's result allows the board to make significant financial investments in several projects that will secure the operational needs of the business moving forward.

Revenue

As is our practice we are conservative in our approach to revenue although we believe we will see sustained growth in services, particularly classification and genomic testing. Income from other services excluding exports is expected to continue at current levels.

We acknowledge that predicting export income can be volatile therefore we have forecast revenue at 70% of that received in 2020/21. In recent times, China has targeted some Australian agricultural industries to the detriment of those industries and producers. We are of the view that the live heifer trade will continue due to limited options for China's dairies to access heifers elsewhere, however it is prudent to budget on a scenario of the trade at lower levels.

Expenses

Overall, the budget forecasts a steady increase in operational expenses with the expectation of an uptake in services particularly classification running costs and overheads

Of note is the investment in developmental and strategic projects in IT directly related to operational and classification processes. Once finalised and implemented over the next 12 months or so we are confident the quality and reliability of the improvements will drive efficiencies across the business.

Summary

The 2021/22 budget has been set based on the premise that we appropriately use member funds to improve how we operate our business. Over recent years, the promise has been made that cash reserves should be used when the need arises. The board believes that time is now. Moreover, while the budget foreshadows a loss of \$295,000 both the board and management believe there has not been a better time to invest in the future.

Finally, this year's finances are off to a good start with our trading position ahead of budget and ahead of where we were this time last year.

Phil Hall

Representative, the Audit and Finance Committee

BREED DEVELOPMENT and CONFORMATION COMMITTEE REPORT

Gino Pacitti

BDCC Chair, Myponga, SA

It is my pleasure to present my first Breed Development and Conformation Committee Report. Following the Board meeting immediately after the 2019/20 AGM I was appointed as Chair of the BDCC and took the reins at the November meeting.

Can I take the opportunity to thank outgoing Chair, Jenny Grey, who presided over the Committee for 6 years commencing in 2014. Jenny's commitment to the Committee over that time cannot be overstated.

I have it on good advice that her organisational and time management skills were evident in balancing agendas and inherent time restraints, especially during Zoom meetings with the inevitable technical challenges. Jenny always made sure each Committee member's views and opinions were heard. I'm sure it would resonate with those who know Jenny when I say there was no matter big or small that she wouldn't bring to the table for discussion.

Thank you Jenny, much appreciated.

As was the case last year COVID restrictions have prevented face-to-face meetings and herd visits, normally such an important part of the BDCC. Hopefully this will change as we move into 2022.

Committee

Following the call for nominations for the Committee last year a very warm welcome was given to Phil Daniel who commenced a 3 year term. Phil hails from Nathalia, VIC and operates Cleveland Holsteins with his family. A passionate breeder who is also active in the Northern Victoria Sub-branch where he has held numerous positions including President.

This year Marcus Young reached his current term limit and was eligible to renominate however Marcus decided not to seek another term so we will have a new face on the Committee at our next meeting.

Marcus joined the BDCC in 2010 and successfully renominated for successive terms in 2014 and 2018 achieving 11 consecutive years on the committee.

From Ridgley near Burnie in Tasmania Marcus is an astute judge of Holsteins and is in demand to adjudicate across the country. He has a good understanding of the classification system and was a significant contributor to the last major review of the system.

A quiet demeanour with an underlying wicked sense of humour Marcus has a balanced view on most things Holstein and this often came to the fore when committee discussions became log jammed.

Another change is the appointment of Beth Scott as the Committee's resident scientist. From a dairy background, Beth is currently a Project Officer at Dairy Australia and studying for her PhD at AgriBio. I'm sure some of you will know of Beth's recent research into dairy cattle inbreeding. Beth replaces Dr Mary Abdelsayed who I would like to pass on a vote of thanks to. Mary was our resident scientist for a number of years.

Competitions

During the pandemic many local and national shows have been cancelled or postponed with a knock-on effect on the All Australian Photographic competition.

As a consequence the Committee decided to roll over the 2020/21 competition into 2021/22 extending the competition over 2 years. We believe this to be fair to those members who were unable to exhibit cattle at their regular shows. The current judges retain their positions, and they are looking forward to judging the competition in early July next year.

For Cow of the Year judging the Committee was joined by member judge Craig Fisher, Byrne Lea Holsteins, Drumborg VIC and by industry judge Bill Morgan from ABS to judge another field of quality matriarchs of the breed. Congratulations to the finalists.

As you would recall the 2020/21 Semex-Holstein Australia On Farm Competition was cancelled. However with endorsement from the BDCC two online competitions took place: the Virtual Holstein Spectacular and the Member Photo competition designed to show an element of a day in the life of Holstein Australia members around the country

Both these initiatives were very well received by the membership and judges with entries well into the hundreds. Based on member feedback we intend to run both competitions again in 2022

A very big thank you to the regional judges and in particular to Bradley Cullen and Beth Scott for the photo competition and to the national Virtual Holstein Spectacular over judge, Brian Leslie.

Breed development

Throughout 2020/21 the Committee discussed, endorsed or engaged in a number of breed development and industry related matters including:

HA's approach to Genetics Australia investigating developing a bull breeding program with Australian genetics

Wider industry access of data from Automated Milking Systems (AMS), in particular robotic dairies, so that data enters Australia's data processing network

HA had preliminary discussions with Jersey Australia and Genetics Australia on opportunities for exporting Australian dairy genetics particularly to Europe

Animal Awards program: agreed to review the production award benchmarks to ensure improved feeding efficiencies of specific feeding systems and environments do not add bias to points required to obtain HA animal awards including Master Breeder

Classification

For fear of repetition dare I say that COVID had an impact of the classification team over the last 12 months particularly in Victoria and New South Wales, which I'm sure the CEO will cover in the year's class statistics. What I would say is that the good results we had in 2020/21 are testimony to the hard working team we currently have.

I would like to make particular mention of Phil Hentschke who had the good or maybe not so good fortune of being based in South Australia. With that states limited travel restrictions Phil could get to most states and at times was the "go to" to keep the class tour rolling. To Phil, and to the whole team, a big thank you for a stellar effort in the most challenging of circumstances.

During the year a change was made to the classification directives regarding the requirement for a second physical inspection for an animal to achieve a maximum score. With the tyranny of distance and keeping to the sometimes tight tour schedule, plus classifiers often working alone it became increasingly difficult to revisit herds for a second inspection to confirm maximum scores.

The committee determined that to ensure attaining maximum scores was not delayed that video footage be allowed to be used when obtaining a second opinion on maximum scores.

To help with the anticipated lift in class numbers a new classifier has been appointed and despite COVID-19 delaying the start date his training has commenced. Bronte Symonds will be based in SE South Australia and working closely with Phil Hentschke. Welcome Bronte!

Closing

In closing, I'm looking forward to working with the Committee and management to further advance the Holstein breed through the Association's services to benefit members.

To members of the Committee thank you for your ongoing support for what the BDCC does and the role it takes, and I look forward to working closely with you in the future.

Gino Pacitti

Chair, Breed Development and Conformation Committee

CEO REPORT

Rohan Butler

Chief Executive Officer

The 2020/21 financial year while a complicated one has been a solid year for the Association. Continued COVID restrictions have limited opportunities to interact directly both within the staff team and with the wider membership. On the upside strong upward trends in most areas have resulted in an outstanding bottom-line result, placing the Association in a great position to build into the future.

Staff Operations

Operating with a staff of 14 FTE's including 4 classifiers, the team has worked strongly together without being able to access the office for much of the year. I'd like to acknowledge and thank the entire team, especially those juggling the competing needs of work and schooling children from home. All have taken these burdens on without complaint and for those efforts I thank them.

The Classification team has in the most part continued to work with only limited disruption due to COVID-19.. The frustrating issue has been accessing some areas, particularly NSW, due to travel restrictions. We continue to work on solutions to these issues.

I would also like to pay tribute to Julie Lowe who passed away suddenly in May this year. Julie worked as a Member Services Officer for 27 years and was a highly valued and respected member of the Holstein team. She is very much missed and will remain a friend to all of us at Holstein Australia.

Annual Operating Plan

In October 2020 we launched our 5 year strategic business plan and are now busily implementing the plan via the Annual Operating Plan. Steps undertaken already include, but are not limited to:

- Employment of Sarah Keens in a dual purpose marketing and communications and dedicated Sub-branch engagement role
- Completion of a member survey to better understand how members interact with the Association both now and into the future
- Implementation of the "New Member Introductory Pack". The online pack of information was also distributed to members with their July membership renewal notice
- Implementation of a regular series of Sub-branch Zoom meetings to ensure Sub-branch representatives to stay in touch with what is happening at HA and also provide feedback to staff directly regarding issues on the ground

- Formation of a Youth Action Committee with a focus on putting in place programs that will provide leadership, experience and career pathway opportunities for Holstein Australia youth members
- The launch of Verified Holsteins; our online selling platform to cater for members wanting to buy and sell registered Holsteins.

Member Services

Registration

A solid year for registrations with numbers rising to 40,112 up 7% on the previous year. The main drivers of this are an increase in export registrations coupled with the first full year of having a Services Extension Officer in place. We expect numbers to remain strong through 2021/22.

Genomics

The Genomics space continues to see growth with a 31% rise in commercial samples processed by Holstein Australia to 18,782. What we are now seeing is an embracing of the new technology at a more mainstream level. A continued industry wide push should see continued growth in this service throughout the upcoming year.

Classification

Classification numbers rebounded well following the impact of COVID lockdowns in the previous year. A 29% rise to 33,494 was a strong result given the number of classifiers on the road was similar to last year.

Export

The export of Holstein heifers to China continues to be a strong earner for the Association. Work has begun in conjunction with industry stakeholders to identify other potential market opportunities, although travel restrictions have hampered this work somewhat.

Summary

The 2020/21 year was no doubt financially a very successful one for Holstein Australia with staff adapting to the “new normal” operating environment while maintaining and improving service delivery to members over the year.

This places the Association in a strong position to invest further in existing member services as well as to develop new services that contribute to member business operations and the continued development of the Holstein breed.

Rohan Butler
Chief Executive Officer

**HOLSTEIN-FRIESIAN
ASSOCIATION OF AUSTRALIA INCORPORATED
ABN: 87 455 118 302**

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2021**

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

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**HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED
STATEMENT BY MEMBERS OF THE COMMITTEE**

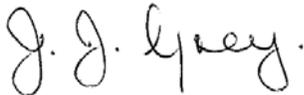
In the opinion of the Members of the Committee the accompanying financial report comprising the Statement of Profit or Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Notes to and forming part of the financial report:

1. Presents a true and fair view of the financial position of Holstein-Friesian Association of Australia Incorporated as at 30 June 2021 and its performance for the year ended on that date in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board; and
2. At the date of this statement, there are reasonable grounds to believe that Holstein-Friesian Association of Australia Incorporated will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the committee and is signed for and on behalf of the Committee by:



G. Carpenter



J. Grey

Dated this 30th day of September 2021

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
Revenue			
Sales revenue	3	3,535,524	3,184,435
Other income	3	346,314	370,779
Expenses			
Classification expenses		(681,154)	(478,502)
Technical services expenses		(659,662)	(804,202)
Export services expenses		(472,568)	(376,147)
Member services expenses		(805,025)	(570,229)
Building expenses		(27,740)	(28,574)
Administration & office overhead expenses		(304,753)	(386,661)
Marketing & journal expenses		(244,948)	(244,125)
Projects & contract services expenses		-	(66,538)
Depreciation & amortisation		(138,507)	(140,050)
		(3,334,357)	(3,095,028)
Operating surplus/(loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated		547,481	460,186
Other comprehensive income			
Net fair value gain/(loss) on other financial assets	8	414,411	(160,579)
Total comprehensive surplus/(loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated		<u>961,892</u>	<u>299,607</u>

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	5	695,609	765,048
Trade and other receivables	6	658,219	550,133
Other current assets	7	47,544	50,832
Total current assets		1,401,372	1,366,013
Non-current assets			
Financial assets	8	3,122,869	2,024,740
Plant and equipment	9	157,015	175,527
Right-of-use assets	10	397,940	327,046
Intangible assets	11	117,188	158,804
Total non-current assets		3,795,012	2,686,117
Total assets		5,196,384	4,052,130
Current liabilities			
Trade and other payables	12	311,007	219,098
Provisions	13	243,727	222,560
Lease liabilities	14	66,056	34,207
Total current liabilities		620,790	475,865
Non-current liabilities			
Provisions	13	2,970	28,156
Lease liabilities	14	362,400	299,777
Total non-current liabilities		365,370	327,933
Total liabilities		986,160	803,798
Net assets		4,210,224	3,248,332
Equity			
Retained surpluses		4,210,224	3,248,332
Total equity		4,210,224	3,248,332

The Statement of Financial Position should be read in conjunction with the accompanying notes.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Retained surpluses \$	Total equity \$
Balance at 1 July 2019	2,948,725	2,948,725
Operating surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	460,186	460,186
Other comprehensive income for the year	<u>(160,579)</u>	<u>(160,579)</u>
Total comprehensive surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	<u>299,607</u>	<u>299,607</u>
Balance at 30 June 2020	<u>3,248,332</u>	<u>3,248,332</u>
Operating surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	547,481	547,481
Other comprehensive income for the year	<u>414,411</u>	<u>414,411</u>
Total comprehensive surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	<u>961,892</u>	<u>961,892</u>
Balance at 30 June 2021	<u>4,210,224</u>	<u>4,210,224</u>

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from operations		4,034,038	3,985,380
Interest received		876	1,590
Dividends and distributions received		94,711	77,050
Payments to suppliers and employees		(3,277,890)	(3,190,727)
Net GST payment to the Australian Taxation Office		(169,700)	(187,798)
Net cash from / (used in) operating activities		<u>682,035</u>	<u>685,495</u>
Cash flows from investing activities			
Payments for property, plant and equipment	9	(13,976)	(35,385)
Proceeds from financial assets	8	954,828	769,981
Payments for financial assets	8	(1,638,545)	(1,173,919)
Net cash (used in) investing activities		<u>(697,693)</u>	<u>(439,323)</u>
Cash flows from financing activities			
Repayment of borrowings		(53,781)	(32,704)
Net cash (used in) financing activities		<u>(53,781)</u>	<u>(32,704)</u>
Net (decrease) / increase in cash and cash equivalents		(69,439)	213,468
Cash and cash equivalents at the beginning of the financial year		<u>765,048</u>	<u>551,580</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>695,609</u></u>	<u><u>765,048</u></u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Association has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the *Associations Incorporation Reform Act (Vic) 2012* and associated regulations, as appropriate for not-for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Association's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Revenue recognition

Sales

For all Sales items, the Association has a clear contractual obligation to provide services to the customer and recognises revenue in accordance with AASB 15 in the period that those performance obligations are met.

Interest income

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

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

Other income

Other income is recognised when it is received or when the right to receive payment is established.

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

Income Tax

The Association is exempt from income tax under section 50-40 of the Income Tax Assessment Act 1997.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Association's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Association's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 1. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the association has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Fair value movements are recognised in profit or loss.

Impairment of financial assets

The association assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the association no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment using the depreciation rates as follows:

Class of Fixed Asset	Depreciation Rate
Office Equipment	6 to 13%
Furniture, Fixtures and Fittings	4 to 6%
Computer Equipment	17 to 35%
Buildings Right-of-Use Asset	10%
Motor Vehicles Right-of-use Asset	20%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Association. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 1. Significant accounting policies (continued)

Right-of-use asset acquired by lessees – Initial measurement

The Association recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located

Right-of-use asset – Subsequent measurement

The Association depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Association prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expenses

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 1. Significant accounting policies (continued)

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets

The Association determines the estimated useful lives and related depreciation and amortisation charges for its plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Association assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Association and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Association based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Association operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Association unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 3. Revenue

	2021	2020
	\$	\$
Sales		
Package fees	229,080	253,917
Subscriptions	132,940	134,896
Registrations	449,995	433,566
Transfers	65,526	91,675
Export charges	1,120,274	997,118
Classification	964,866	732,505
Technical services	429,566	392,318
Other operating income	143,277	148,440
	<u>3,535,524</u>	<u>3,184,435</u>
Other Income		
Projects & contract services	–	84,785
Government subsidies	178,500	152,500
Interest received	876	1,590
Dividend & distribution income	94,711	77,050
Miscellaneous	72,227	54,854
	<u>346,314</u>	<u>370,779</u>
Total Income	<u><u>3,881,838</u></u>	<u><u>3,555,214</u></u>

Note 4. Expenses

Operating surplus before income tax includes the following specific expenses:

Depreciation and amortisation	138,507	140,050
Employee benefits expenses (included within expenses by function)	1,271,592	1,119,741

Note 5. Cash and cash equivalents

Cash at bank	640,609	199,560
Term deposits	55,000	565,488
	<u>695,609</u>	<u>765,048</u>

Note 6. Trade and other receivables

Current

Trade receivables	619,126	419,693
Provision for impairment of receivables	–	–
	<u>619,126</u>	<u>419,693</u>
Other receivables	39,093	130,440
	<u>658,219</u>	<u>550,133</u>

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 7. Other current assets

	2021	2020
	\$	\$
Current		
Prepayments	47,544	50,832
	<u>47,544</u>	<u>50,832</u>

Note 8. Financial assets

Non-Current

Portfolio investment	3,122,869	2,024,740
	<u>3,122,869</u>	<u>2,024,740</u>

Movement of investments

Balance at beginning of the year	2,024,740	1,781,381
Purchases	1,638,545	1,173,919
Disposals (Proceeds)	(954,827)	(769,981)
Change in market value of investments	414,411	(160,579)
Balance at end of the year	<u>3,122,869</u>	<u>2,024,740</u>

Note 9. Plant and equipment

Office Equipment

At cost	9,194	7,369
Less: Accumulated depreciation	(7,224)	(7,056)
	<u>1,970</u>	<u>313</u>

Computer Equipment

At cost	98,534	87,122
Less: Accumulated depreciation	(73,946)	(61,230)
	<u>24,588</u>	<u>25,892</u>

Furniture, Fixtures and Fittings

At cost	174,505	174,505
Less: Accumulated depreciation	(44,048)	(26,597)
	<u>130,457</u>	<u>147,908</u>

Motor Vehicles

At cost	202,814	202,814
Less: Accumulated depreciation	(202,814)	(201,400)
	<u>–</u>	<u>1,414</u>

Total Plant and Equipment

	<u>157,015</u>	<u>175,527</u>
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HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 9. Plant and equipment (continued)

Movements in carrying amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the current financial year.

	Office Equipment \$	Computer Equipment \$	Furniture, Fixtures & Fittings \$	Motor Vehicles \$	Total \$
Balance at beginning of year	313	25,892	147,908	1,414	175,527
Additions	1,825	12,151	–	–	13,976
Disposals	–	–	–	–	–
Depreciation expense	(168)	(13,455)	(17,451)	(1,414)	(32,488)
Balance at end of year	1,970	24,588	130,457	–	157,015

Note 10. Right-of-use assets

	2021 \$	2020 \$
Right-of-use assets – building lease	366,688	366,688
Accumulated depreciation	(79,284)	(39,642)
	287,404	327,046
Right-of-use assets – motor vehicle lease	135,297	–
Accumulated depreciation	(24,761)	–
	110,536	–
Total Right-of-use assets	397,940	327,046

Movements in carrying amounts

Movement in the carrying amounts for each class of right-of-use assets between the beginning and the end of the current financial year.

	Building Lease \$	Motor Vehicles \$	Total \$
Balance at beginning of year	327,046	–	327,046
Additions	–	135,297	135,297
Amortisation	(39,642)	(24,761)	(64,403)
Balance at end of year	287,404	110,536	397,940

Note 11. Intangible assets

	2021 \$	2020 \$
Database System and Software	707,170	707,170
Accumulated Amortisation	(589,982)	(548,366)
	117,188	158,804

Movements in carrying amounts

Balance at beginning of year	158,804	212,789
Amortisation	(41,616)	(53,985)
Balance at end of year	117,188	158,804

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 12. Trade and other payables

	2021	2020
	\$	\$
Current		
Trade payables	145,338	119,006
BAS payable	62,207	50,327
Sundry payables and accrued expenses	91,463	42,484
Member fees in advance	11,999	7,281
	<u>311,007</u>	<u>219,098</u>

Note 13. Provisions

Current

Provision for annual leave	131,352	92,316
Provision for long service leave	112,375	130,244
	<u>243,727</u>	<u>222,560</u>

Non-current

Provision for long service leave	2,970	28,156
	<u>2,970</u>	<u>28,156</u>

Note 14. Lease liabilities

Current

Building lease liability	35,778	34,207
Motor vehicles lease liability	30,278	–
	<u>66,056</u>	<u>34,207</u>

Non-current

Building lease liability	263,998	299,777
Motor vehicles lease liability	98,402	–
	<u>362,400</u>	<u>299,777</u>

Note 15. Responsible Persons disclosure

The following disclosures are made regarding Responsible Persons for the reporting period.

Governing Board

Garry Carpenter (appointed 8 October 2020)
 Patrick Glass (resigned 8 October 2020)
 Jenny Grey
 Gino Pacitti
 Phil Hall
 Jacqueline Soares (appointed 8 October 2020)

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

Note 16: Key management personnel disclosures

Compensation

The aggregate compensation made to members of key management personnel of the Association is set out below:

	2021	2020
	\$	\$
Aggregate compensation	<u>464,265</u>	<u>373,757</u>

There have been no related party transactions apart from remuneration of key management personnel noted above.

Note 17. Contingent liabilities and contingent assets

The Association had no specific contingent liabilities or contingent assets as at 30 June 2021 and 30 June 2020.

Note 18. Commitments

The Association had no commitments for expenditure as at 30 June 2021 and 30 June 2020.

Note 19. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially positive for the Association up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is continually developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Association's operations, the results of those operations, or the Association's state of affairs in future financial years.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF HOLSTEIN FRIESIAN ASSOCIATION OF AUSTRALIA INC**

Opinion

We have audited the financial report of Holstein Friesian Association of Australia Inc which comprises the statement of financial position as at 30 June 2021, 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 declaration by those charged with governance.

In our opinion, the accompanying financial report of Holstein Friesian Association of Australia Inc, is in accordance with the *Associations Incorporation Reform Act (Vic) 2012*, including:

- (a) gives a true and fair view of the financial position of the Entity as at 30 June 2021, and of its financial performance and its cash flows for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements.

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

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Entity's financial reporting process.

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 the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Entity'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 Entity 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.

We communicate with those charged with governance 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.

DFK Kidsons Partnership

DFK Kidsons Partnership

Robert Wernli

Robert Wernli
Partner

Melbourne
30 September 2021