ANNUAL REPORT 2017/18

Holstein AUSTRALIA

Annual General Meeting

Thursday 15 November 2018, Sandy Bay, Hobart Tasmania

THE HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INC.

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PRESIDENT'S REPORT TO THE 2017/18 AGM

By President Patrick Glass, Gundowring Victoria

Stepping into the role of President this year certainly has been a journey, at times challenging and times illuminating. As I have had the opportunity to meet many members in many locations it has allowed me to gain a much better understanding of the environment that members operate within.

The 2017/18 Financial year represents one of the most challenging years Holstein Australia has endured resulting in a significant loss for the year. The changes made to reduce expenses without impacting the mid to long term function of the Association were insufficient to off-set the reduction in revenue that occurred.

Specifically, the net decrease of $383k of export revenue was the single largest factor in creating the loss of $339k for the Financial Year.

Changes implemented during the year including a moratorium on recruitment for non-essential staff and trimming expenses where possible had a significant impact and will continue to reduce expenses in the current year. Additionally the fee increases implemented on July 1st will help support revenue as we look to bring financials closer to break even for 2018/19.

As we look at our position it is not unrealistic to consider that we reflect the challenges facing the wider dairy industry that have been well documented.

Should members wish to review the financial statements in more detail I refer them to the Audited Financial Report and Management Report that are included in the AGM information pack.

COMMUNICATIONS

During the year a number of positive initiatives were implemented to improve and broaden communications to members and the wider dairy community. Following an extensive review by the Board it was decided to reduce the number of editions and size of the Holstein Journal to free up funds to venture into a number of communication channels.

What we created was a greater presence in Social Media, the creation of an e-newsletter Holstein Dispatch and the complete revamping of the website leading us into the digital world that so many of our members operate in.

Our goal now is to improve and enhance communications with members and also significantly increase the marketing of the Holstein breed to the wider industry.

The challenge that Holstein Australia and the Board must immediately address is the internal communications within the governance structure of the Association. From Sub-Branch level we continue to receive questions around who and how they are to communicate within the Association.

What we have learned is that Board and Management will need to spend time throughout the regions to meet with members and Sub-Branch representatives to discuss first-hand the challenges at local level. During the first six months of 2019 this will be a priority. In the meantime there will be increased communication mapping out these point of contact pathways for members.

HOLSTEIN OFFICE

As members will now be aware of, the Holstein office has moved and is now situated in Agribio on the Latrobe University campus sharing facilities with Jersey Australia, DataGene and National Herd Improvement Association. This is the result of a long process investigating the advantages and opportunities that come from connecting directly with the wider herd improvement, research and innovation community within the dairy industry.

Importantly there will be opportunities to explore the creation of greater "back office" efficiencies as we work with Jersey and other breed associations. Additionally Holstein will benefit from significant cost reductions associated with the new office location.

On behalf of the Board I would like to thank members for their patience during the recent transition period as we have the new office become fully functional.

MEMBER ACTIVITIES

During the year across Australia members promote the Holstein breed through their participation at shows, on-farm challenges and the many competitions supported by the Association. Congratulations to all members who participate as they continue to showcase the breed and the Holstein cow.

There have been a number of sales during the year including some very significant dispersal sales. From these dispersal sales representing in many cases a lifetime of breeding we see new members having the opportunity to buy into very successful cow families and start their journey breeding and developing the next generation of great cows.

As I note the results of the many sales during the year there always appears to be extra value associated with registered Holsteins, recognition of pedigree integrity, classification and production records. Perhaps like superannuation, registered Holsteins provide the best financial outcome and return on a lifetime of work.

GENETIC MERIT

Each year we see the increase of genomic testing for males and females and the improvement of the genetic merit of the breed. Holstein members help lead this improvement of genetic merit through their participation in testing and their challenging the industry to continually improve the application and uptake of the science.

The current availability of genetics provides Holstein breeders with huge opportunities to select for traits which they consider to be important in their breeding program. What is important that for each of our members there will be differences on their selection priorities and as a breed Holsteins are able to provide for these differences without compromising the end game of profitable milk production.

An example of how quickly the breed can develop is the way fertility was managed within Holstein. It was not that long ago fertility was a huge issue and options were limited; even to the extent that crossbreeding was considered. Today the options to select for fertility are numerous and Holstein leads the way to improve fertility in the industry. A great achievement in a relative short time span and a great example of what can be achieved when there is a common goal.

FUTURE CHALLENGES

Financial sustainability is a current challenge and will always stay a focus into the future, though there are other challenges we will need to consider.

These include Herd Book integrity, ensuring the accuracy of our database continues to lead the industry. In the future the tools to ensure integrity will come at a cost and we will need to balance out the cost versus the reward.

Today genomics not only provides breeding values but also pedigree discovery, this tool is available to all Holstein breeders whether registered or not. Our challenge will be to ensure we continue to lead the industry and not be caught following. This will be an on-going discussion for members as they add value through registration and classification.

A question often raised is how to maintain the value of registration, something we should always challenge ourselves with as it ensures we continue to connect Holstein to the wider industry. In many cases if we continue to improve the breed, provide value added services and listen to members the value of Registered Holsteins in the marketplace will be seen in the margin over the sales of non-registered Holsteins and other breeds. The actual dollars may vary according to the environment but it is the margin that will always important.

BREED STALWARTS

Every year we have members or family pass away, a sad occasion for everybody directly impacted. During 2018 Holstein has lost two outstanding contributors to the breed both as breeders and administrators, Lou Giglia and Kem Perkins.

Lou Giglia-Ponderosa, WA

Twice Master Breeder, WA State President, Federal President and inaugural Board member ultimately serving for 11 years. Lou's contribution whether on-farm breeding great cows, Perth Royal or meeting people throughout Australia always had Holstein at the core of his efforts and we as an Association are better for his work.

Kem Perkins- Calthorpe, TAS

Think classification, think Kem Perkins. Kem was a member of the inaugural Classification Committee formed in 1965 and was instrumental in the establishment of classification as a key service to improve the breed.

Kem was a twice Master Breeder, Federal President and twice President of the Tasmanian Branch contributing immensely to the development of the breed and Association.

Both men were awarded Federal Honorary Life Memberships in recognition of their contributions to Holstein.

My condolences to all members who have lost loved ones during the year.

THANKS

As with life we are the sum of many parts and the Association has many contributors on a daily basis who ensure the progress of the breed. I would like to thank all members who continue to support

Holstein Australia through use of services and participation at Sub-Branch level, no matter how small. My thanks to members of the BDCC and thanks to my fellow Board members who provide me with invaluable input as we look to steer Holstein through challenging times.

I would also wish to acknowledge the work and efforts of the staff, whether the classifiers in the field working first hand with members or the office staff who provide the services members require.

During 2018/19 I look forward to continuing to meet members throughout Australia to better understand how we can positively contribute.

Patrick Glass
President and Chair of the Board

2017/18 FINANCIAL REPORT

The 2017/18 financial year provided Holstein with one of the toughest years that the Association has experienced culminating in an overall loss of $339,013. It is fully realised that a loss of this magnitude is not sustainable and changes within Holstein have already been implemented for the current financial year, further detail below.

This report will firstly review the financial year and then importantly highlight the actions taken to turn the financial position of the Association around in the 2018/19 financial year.

2017/18 PROFIT & LOSS

Revenue

Revenue dropped by $713,354 from the previous year with Export revenue accounting for $546,030 or 76.5% and Genetic Testing down 23.2% or $165,179 . Encouragingly our core member services including registration, classification, transfers and subscription revenue continues to be stable year on year.

Strong investment income from our portfolio coupled with growth in the funds asset value provided a positive impact on revenue.

Expenses

Significantly overall expenses were reduced by $474,960, a substantial cost reduction created by a reduction in staff numbers, major expense items and lower genomic testing expenses.

Balance Sheet

In-line with the loss for the year we have seen a reduction in member's equity, a situation we recognise cannot continue. Total equity currently stands at $2,573,068 as at 30th June 2018; down from $2,912,081.

TECHNICAL SERVICES

Technical Services includes some of the core services that Holstein Australia provides and has raised a number of questions historically. This report represents a very good opportunity to provide additional detail around the revenue and expense breakdowns of this important component of our business.

On the revenue side the main source is genomic testing and DNA testing for registration of ET calves, representing 94.3% or $389,843 of the total of $413,282. There is a small amount received in generating performance pedigrees and various miscellaneous fees.

For expenses the picture is significantly different as there are three distinct cost segments; genomic/DNA testing costs (43.4%), technical services employment expenses (33.0%) and database management expenses (23.6%).

It is important to note that there is a reasonable margin for genomic/DNA testing; not forgetting that testing revenue and expenses has a direct correlation to the number of tests undertaken by the market.

When we consider employment and database expenses we should remember these support the majority of our core functions including registration, export, some input to classification and general database inputs such as animal production information and awards. More recently the provision of genomic breeding values has been built into the database.

In essence, Technical Services are the engine room of our service provision.

Financial Year 2018/19

Overall

There were a number of actions taken in the last financial year which will have a positive impact on the current financial year and into the future.

On the revenue side fee increases commenced July 1 that more closely reflect the cost of providing the service. Ultimately service activity under the new fee structure will determine revenue notwithstanding the concerns around the general health of the dairy industry on a number of levels.

The budgeted export revenue for this financial year is relatively low compared to previous years that will prevent potential revenue shock that occurred in 2017/18.

The most important changes are around expenses where actions taken in the last financial year will have a significant impact in the current financial year.

The 2018/19 Budget shows a small loss of around $25,600 based on very conservative numbers; encouragingly the September YTD figures are already outperforming the budget currently by $69,885.

KEY AREAS

Employment Expenses

Employment expenses are the largest single expense for the Association and any changes have a significant impact on financial performance. While staff changes in 2017/18 only had a partial impact on expenses they will have a significant impact of overall staff expenses in the current year. Staff numbers will be constantly monitored to find the balance between delivering services to members and meeting financial targets.

The table below summarises the reductions in employment expenses over the last two years compared to this year's budget.

Actual FY17	Actual FY18	Reduction	Budget FY18	Reduction
$1,389,366	$1,244,018	$145,348	$1,109,630	$134,388

Employment expenses for the first three months of 2018/19 show that the budgeted savings are being achieved.

YTD September	Budget	Variation	August Last year	Variation
$266,340	$290,069	$23,729	$320,695	$30,626

Classification

In conjunction with the implemented fee changes that commenced on July 1 and the reduction in expenses we are currently achieving the stated goal of Classification being self-funded and not cross subsidised by other services. We understand the big test will be through spring as our 3 classifiers undertake a bigger workload and we closely monitor the situation and keep members informed accordingly.

Office

The relocation of the office will have a multitude of benefits for Holstein Australia though in a direct context of the Budget it will reduce rental expenses by approximately 40% year on year. Additionally there is the potential for further efficiencies through sharing of staff to undertake roles consistent across all the four organisations sharing the office.

Financial performance - September Year to Date

To provide a better insight on the financial progress this year as of September our Net Income for the period is $94,656 compared to $24,770 for the previous year, an improvement of $69,885, consistent with the 2018/2019 Budget. There are many factors both income and expenses that contribute to this result but it is clear the changes made in the previous year are having a significantly positive impact.

SUMMARY

Holstein Australia during 2017/18 made significant changes to off-set the major loss of revenue. These changes were originally planned to be implemented over a three year period but ultimately we did not have that luxury of extra time and the results for the 2017/18 Financial Year are as a result very challenging.

For 2018/19 we have already seen the positive impact of changes made last year in the first three months of trading. The on-going trading environment has the potential to cause volatility on the revenue side thus prudent expense management will continue to be a priority.

2018 BREED DEVELOPMENT and CONFORMATION COMMITTEE REPORT

By BDCC Chair Jenny Grey, Kiama, NSW

The 2017/18 year has been one of consolidation for the Breed Development and Conformation Committee with activities generally on-going from initiatives from the previous year and much of the work progressing into the current year.

CLASSIFICATION

Class system scorecard changes implemented in 2016/17 became the normal during 2017/18, included adding Thurl Placement into the Rump Composite and changing the weightings in a number of categories as well as on-going monitoring of Stature.

The classification team underwent considerable change during the year with personnel leaving and not being immediately replaced adding extra responsibility to the three remaining classifiers.

I would like to express my appreciation for the work undertaken by the current team and thank you for the input from those classifiers who are now pursuing other career pathways.

During the year almost 33,000 animals were classified up 7% on the previous year. Included in the total are over 8,500 non-registered animals classified on behalf of industry which are extremely valuable inclusions for Type Breeding Values.

Also it is important to celebrate the great cows of the breed and during the year we saw our first EX97 point cow, Fairvale Morty Lady 51. Congratulations to the breeders and owners on this wonderful achievement. Not to be overlooked are the 31 cows scoring EX93, EX94 and EX95 respectively a credit to the breeders and owners.

For first calf heifers we saw 3 score the maximum VG88 (maximum) and a further 11 heifers score VG87, plus numerous VG heifers across the country.

Importantly we are seeing improvements across herds through higher average scores. It is great to see these high scores but it is reassuring to see the overall improvement for the breed.

COMPETITIONS

Always a highlight of the year is the judging of the Cow of the Year competition and this year was no exception. Entrant numbers are on the rise and so is the quality. Congratulations to the finalists and ultimately the winner who will be announced at the National Awards dinner. I would like to acknowledge the input of Paul Newlands Foothills Holsteins, Malanda Qld as the guest member judge, a role I know he enjoyed immensely.

The All Australian continues to be well supported with the quality of entries at a very high level. Many thanks to the judges Lisa Thompson, Rob Walmsley and especially Lindsay Moxey who so aptly offered to be the last minute fill in judge. The feedback from the judges was very positive on how the competition operates.

One comment on the competition this year was the limited entries for the All Australian Calf class, a class that operates at most shows yet there were very few entries, something to get behind for 2019.

ACTIVITIES

During the year there have been many topics the Committee has considered, some have been on-going from the previous year while others will continue to be discussed at future meetings.

Topics considered include-

- Updating the Ideal Cow for future publications
- National Judges school and panels
- Working with the classifiers on breed standards
- Updating the Committee on research undertaken around Breeding Values
- Connecting with the Artificial Breeding industry to better understand industry trends

TEAM

Congratulations to Lynette Greenwood on her re-election to the Committee and thanks to all Committee members for making their time available to contribute to the continual improvement of the breed. Thanks to Mary Abdelsayed for participating in the Committee to connect Holstein Australia to the research work being undertaken.

On behalf of the Committee thank you to Management and staff for their assistance throughout the year.

CURRENT YEAR

Though outside of the reporting year I wanted to share with everybody the positive impact the visit of the Canadian Head Classifier Bruno Jubinville had working with the classifiers as well as holding a joint on farm workshop with the BDCC and the Board. It was a great experience for everyone and for Bruno who was visiting Australia for the first time spoke highly of the great cows we have in Australia and the people we have working within Holstein Australia.

Additionally the BDCC conducted their annual out of town meeting in the Atherton Tablelands of FNQ attending the Malanda show and visiting many members and their herds. It was a wonderful experience and on behalf of the Committee I cannot fully express my appreciation for the hospitality we received.

We have a great community within our Association.

Jenny Grey
Chair, Breed Development and Conformation Committee

CEO REPORT TO THE 2018 AGM

By Graeme Gillan, Chief Executive Officer

For my CEO report today I would like to provide members with a snapshot of activity undertaken by Holstein during the 2017/2018 year and on-going projects which will impact Holstein members during the current year.

This is not to shy away from the challenges of 2017/2018 and the disappointing financial results but as this has been well covered in the Financial Reports and Presidents reports I believe it is important to focus on the positives of the year.

SERVICES

During 2017/2018 registrations remained very stable compared to the previous year, we did see growth for classification and increasing number of transfers.

As we look at the graphs we currently operate well below our peaks of earlier years but this is reflective of the reduction in the dairy industry in general. Transfer numbers continue to grow as members exit the industry, sometimes a sad day but the positives of younger/newer members having access to generations of great cow families will ensure not all is lost.

With respect to classification I would now like to recognise the contribution of the team and their flexibility and work ethic. A number of changes occurred during the year reducing the team from 6 to 3 and based on the financial position of the Association we have not added any further classifiers.

During spring the team will be very busy with member classification, GINFO assessments and work on-behalf of various AB companies scoring daughters of a number of bulls who potentially will graduate in 2019.

There will be some delays to the tour schedule and we ask members to be patient.

Within the office there has also been staff changes, two long term staff members have moved onto new challenges and we will welcome a new staff member during November.

Genomic testing has been a growing service and a significant contributor to the Association's revenue and showcasing the genetic merit of the breed. Congratulations to all members who have participated in genomic testing and developing an outstanding group of animals highlighting the many attributes of the Holstein breed.

GOVERNANCE

Across all levels of the Association it is taking sometime for members to adopt the changes made within Governance. The biggest challenge seems to be around lines of communication and understanding the representation pathway.

Below I have listed some examples of where to direct enquiries:

For Members	*Line of enquiry*	*Pathway*
	Registration/Membership question	Office
	Classification enquiry	Office
	What is happening in the local area	Sub-Branch
	Policy question	Sub-Branch, SDC, BDCC or Board Representative/CEO
	Rules and Bylaws	Holstein website
	Competitions	Holstein website

From the Sub Branch	*Line of enquiry*	*Pathway*
	Funding	CEO
	Policy	SDC, BDCC, Board representatives/CEO
	Rules and Bylaws	Holstein website
	General enquiries	CEO/Management/Office

COMMUNICATION and MARKETING

As a major segment of the Business Plan and a key component of the Annual Operating Plan Communications and Marketing has historically represented a significant financial commitment with a focussed outcome, primarily the Holstein Journal, some intermittent social media participation and a relatively stagnant website.

During 2017/2018 significant changed occurred, a Marketing and Communications Plan was finalised, a budget determined and resources re-allocated.

The results have been-

- Reducing the Holstein Journal from 6 editions of 60 plus pages to 4 editions of 40 pages releasing resources for other priorities
- Developing and distributing an e-newsletter, Holstein Dispatch
- Increasing social media participation balanced with appropriate moderation
- Launch a new website
- Marketing initiatives connecting the various digital platforms to promote Association activities and support member's marketing efforts in promoting sales
- Planning a marketing campaign through Dairy News Australia to market the benefits of Registered Holsteins (commenced July 2018)
- Commence planning a Sub-Branch media kit to grow communications at Sub-Branch level and assist in connecting to the overall Association activities (finalised 2018/2019)

The outcomes from this work are not always obvious and the feedback received is usually muted, but have we made progress?

Yes we have, the statistics included in the slide provide a positive position on how Holstein are communicating.

Is there more to be achieved, again yes and already during the current year we are further progressing promoting the Holstein breed. Holstein Australia can no longer be a passive participant in the marketplace, but an active promoter of the breed and efforts of our members.

OFFICE

As I present this report Holstein will have just re-located into a new office in partnership with Jersey, DataGene and National Herd Improvement Association. This has not happened overnight and represents the culmination of considerable discussions and planning over the previous two years.

Exciting as it is to be located in the centre of research for bovine and plant genetics, Agribio, the real opportunity lays in the collaboration of industry organisations to develop efficiencies to better service our members and grow our participation in the general dairy industry.

There has been disruption to members and to staff during the transition and I thank everybody for their patience.

I look forward to providing opportunities for members to visit the new office facility during the year to gain a greater understanding of the work undertaken by staff and the added bonus of seeing first-hand the research being undertaken around bovine and plant genetics.

YOUTH

During the year there have been “small steps” taken to restart Youth within Holstein, firstly a number of young people putting their hand up to become directly involved and more recently the appointment of a National Youth Co-Ordinator. Combined this will allow a greater focus on youth and allow prioritisation of key activities.

Around Australia we see many junior youth camps organised and they are all very successful. What we have lacked is the ability to bring together the 16-21 year olds and provide them with greater support and education. This is our first challenge to re-commence the National Youth Camp and provide opportunities for participation to help build skills and create lifelong friends.

We are now on the cusp of making the National Youth Camp a reality in 2019.

NEW INITIATIVE

In the background work has been occurring on how we can add further value to members on the genetic merit of their herd identifying their strength and weaknesses.

The Genetic Stocktake Report will provide a summary of the genetic merit of member’s herds identifying the opportunities to improve profitability through the comparison of the top 20% and the bottom 20%. Additionally there will be the opportunity to identify traits that the herd excels for and traits where improvement can be made.

The first phase of this initiative will be rolled out prior to year-end with follow up during the first part of 2019. We see the opportunity to support members as they make breeding decisions which will impact on their herd’s performance and value for future generations.

SUMMARY

Holstein is not immune from the challenges of the general dairy industry and it is a credit to members on their continued participation and use of services both in the good times and tougher times.

Participation at shows and Holstein competitions remains strong showcasing the best traits of the breed. We greatly appreciate the efforts of members to promote the breed and their breeding programs to the wider dairy community.

To the members who give their time freely to participate at Sub-Branch level and at Committee level, many thanks.

I would like to end by acknowledging the work of staff who quietly work away in the background to deliver the services valued by members.

Graeme Gillan
Chief Executive Officer

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

FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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:

P. Glass

G. Carpenter

Dated this 3rd day of September 2018

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Revenue			
Sales revenue	3	2,225,760	2,902,823
Other income	3	191,457	227,748
Expenses			
Classification expenses		(546,195)	(656,198)
Technical services expenses		(666,004)	(804,667)
Export services expenses		(105,173)	(247,507)
Member services expenses		(611,885)	(664,757)
Building expenses		(122,959)	(118,918)
Administration & office overhead expenses		(292,844)	(290,936)
Marketing & journal expenses		(215,036)	(197,463)
Projects & contract services expenses		(137,907)	(226,492)
Depreciation, provisions & amortisation		(151,886)	(117,717)
Fair value re-measurement gains/(losses)	8	93,659	93,465
		(2,756,230)	**(3,231,190)**
Operating (loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated		**(339,013)**	**(100,619)**
Total comprehensive (loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated		**(339,013)**	**(100,619)**

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 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	5	460,998	850,075
Trade and other receivables	6	395,241	600,291
Other current assets	7	28,017	23,300
Total current assets		**884,256**	**1,473,666**
Non-current assets			
Financial assets	8	1,691,523	1,567,605
Property, plant and equipment	9	157,643	159,568
Intangible assets	10	269,879	323,595
Total non-current assets		**2,119,045**	**2,050,768**
Total assets		**3,003,301**	**3,524,434**
Current liabilities			
Trade and other payables	11	237,413	448,135
Employee benefits	12	172,564	147,803
Total current liabilities		**409,977**	**595,938**
Non-current liabilities			
Employee benefits	12	20,256	16,415
Total non-current liabilities		**20,256**	**16,415**
Total liabilities		**430,233**	**612,353**
Net assets		**2,573,068**	**2,912,081**
Equity			
Retained surpluses	13	2,573,068	2,912,081
Total equity		**2,573,068**	**2,912,081**

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 2018

	Retained surpluses $	Total equity $
Balance at 1 July 2016	3,012,700	3,012,700
Operating (loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	(100,619)	(100,619)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive (loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	(100,619)	(100,619)
Balance at 30 June 2017	**2,912,081**	**2,912,081**
Operating (loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	(339,013)	(339,013)
Other comprehensive income for the year, net of tax	–	–
Total comprehensive (loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	(339,013)	(339,013)
Balance at 30 June 2018	**2,573,068**	**2,573,068**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts from members		2,539,936	2,979,283
Interest received		9,738	15,176
Dividends and distributions received		57,685	64,830
Payments to suppliers and employees		(2,809,444)	(3,012,152)
Net GST payment to the Australian Taxation Office		(102,105)	(139,394)
Net cash from operating activities		**(304,190)**	**(92,257)**
Cash flows from investing activities			
Payments for property, plant and equipment	9	(54,628)	(1,238)
Payments for intangibles	10	–	(68,664)
Proceeds from financial assets	8	278,287	328,057
Payments for financial assets	8	(308,546)	(398,432)
Net cash (used) in investing activities		**(84,887)**	**(140,277)**
Net increase / (decrease) in cash and cash equivalents		(389,077)	(232,534)
Cash and cash equivalents at the beginning of the financial year		850,075	1,082,609
Cash and cash equivalents at the end of the financial year	**5**	**460,998**	**850,075**

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

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, revised or amending Accounting Standards and Interpretations adopted

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

Any new, revised or amending 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'), *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 incorporated 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

Revenue is recognised when it is probable that the economic benefit will flow to the association and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

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*.

Note 1. Significant accounting policies (continued)

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 current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve 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 twelve months after the reporting period. All other assets are classified as non-current.

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

Cash and cash equivalents
Cash and cash equivalents include 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 provision for impairment.

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.

Property, 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.

Note 1. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

Class of Fixed Asset	Depreciation Rate
Motor Vehicles	16 to 20%
Office Equipment	6 to 13%
Furniture, Fixtures and Fittings	4 to 6%
Computer Equipment	17 to 35%

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

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

Intangibles

The Association recognises its intangible assets at cost. After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortisation and any accumulated impairment losses. The amortisation rate of the intangible assets is determined by its useful life and is allocated on a straight line basis from the date that the asset is available for use. The amortisation period is reviewed on an annual basis. Intangible assets recognised relate to the transfer of the database from IRL1 system to IRL2, the development of the MatePlus and TraitPlus brands, the development of a Smartphone Registration App, and the development of the Parentage Plus system. ILR 2 and Parentage Plus have an estimated life of 10 years. The Smartphone Registration App has an estimated life of 5 years. MatePlus and TraitPlus brands have a useful life between three to five years.

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 incorporated 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.

Note 1. Significant accounting policies (continued)

Employee benefits (continued)

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

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 principle 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 interest. 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.

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 incorporated association determines the estimated useful lives and related depreciation and amortisation charges for its property, 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 incorporated 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 incorporated 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.

Note 2. Critical accounting estimates, judgements and assumptions (continued)

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.

Note 3. Revenue

	2018 $	2017 $
Sales		
Package fees	228,383	237,638
Subscriptions	150,835	154,887
Registrations	438,975	431,118
Transfers	103,562	82,325
Export charges	284,161	660,962
Classification	477,541	614,629
Technical services	412,549	573,043
Other operating income	129,754	148,221
	2,225,760	**2,902,823**
Other Income		
Projects & contract services	65,447	128,136
Interest received	9,738	15,176
Dividend and distribution income	57,685	64,830
Gain on disposal of financial assets	–	10,202
Miscellaneous	58,587	9,404
	191,457	**227,748**
Total Income	**2,417,217**	**3,130,571**

Note 4. Expenses

Operating (loss) before income tax includes the following specific expenses:

Rental expense on operating leases	90,637	90,637
Depreciation and amortisation	110,269	137,329

Note 5. Cash and cash equivalents

Cash at bank	197,427	409,294
Term deposits	263,571	440,781
	460,998	**850,075**

Note 6. Trade and other receivables

Current		
Trade receivables	375,015	496,115
Provision for impairment of receivables	(5,050)	(11,339)
	369,965	**484,776**
Other receivables	25,276	115,515
	395,241	**600,291**

	2017 $	2016 $

Note 7. Other current assets

	2017 $	2016 $
Current		
Prepayments	28,017	23,300
	28,017	**23,300**

Note 8. Financial assets

	2017 $	2016 $
Non-Current		
Held for trading securities	1,691,523	1,567,605
	1,691,523	**1,567,605**
Held for trading securities		
Balance at beginning of the year	1,567,605	1,403,764
Purchases	308,546	398,432
Disposals	(278,287)	(328,057)
Fair value re-measurement gains/(losses)	93,659	93,466
Balance at end of the year	**1,691,523**	**1,567,605**

Note 9. Plant and equipment

	2017 $	2016 $
Office Equipment		
At cost	47,736	47,736
Less: Accumulated depreciation	(39,777)	(37,786)
	7,959	**9,950**
Computer Equipment		
At cost	54,377	57,366
Less: Accumulated depreciation	(46,620)	(46,064)
	7,757	**11,302**
Furniture, Fixtures and Fittings		
At cost	128,715	73,954
Less: Accumulated depreciation	(53,139)	(51,081)
	75,576	**22,873**
Motor Vehicles		
At cost	230,804	262,922
Less: Accumulated depreciation	(164,453)	(147,479
	66,351	**115,443**
Total Plant and Equipment	**157,643**	**159,568**

Note 9. Plant and equipment (continued)

Movements in carrying amounts

Movement in the carrying amounts for each class of property, 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	9,950	11,302	22,873	115,443	159,568
Additions	–	2,234	54,761	–	56,995
Disposals	–	(102)	–	(2,265)	(2,367)
Depreciation expense	(1,991)	(5,677)	(2,058)	(46,827)	(56,553)
Balance at end of year	**7,959**	**7,757**	**75,576**	**66,351**	**157,643**

Note 10. Intangible assets

	2018 $	2017 $
Database System and Software	707,170	707,170
Accumulated Amortisation	(437,291)	(383,575)
	269,879	**323,595**

Movements in carrying amounts		
Balance at beginning of year	323,595	331,072
Additions	–	68,664
Amortisation	(53,716)	(76,141)
Balance at end of year	**269,879**	**323,595**

Note 11. Trade and other payables

Current		
Trade payables	127,544	270,053
BAS payable	41,840	41,675
Sundry payables and accrued expenses	58,422	127,135
Member fees in advance	9,607	9,272
	237,413	**448,135**

Note 12. Employee benefits

Current		
Provision for annual leave	68,364	55,993
Provision for long service leave	104,200	91,810
	172,564	**147,803**
Non-current		
Provision for long service leave	**20,256**	**16,415**

	2018 $	2017 $
Note 13. Equity - retained surpluses		
Retained surpluses at the beginning of the financial year	2,912,081	3,012,700
Operating (loss) after income tax expense for the year	(339,013)	(100,619)
Retained surpluses at the end of the financial year	**2,573,068**	**2,912,081**

Note 14. Responsible Persons disclosure

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

Governing Board

David Johnston
Patrick Glass
Garry Carpenter
Gino Pacitti
Jenny Grey

Note 15: Related party transactions

Related parties of Holstein Friesian Association of Australia Incorporated include all Key Management Personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over).

Key Management Personnel of Holstein Friesian Association of Australia Incorporated includes the Governing Board and members of the Senior Executive Team, which includes:

David Johnston
Patrick Glass
Garry Carpenter
Gino Pacitti
Jenny Grey

Compensation of key management personnel is detailed below:

	2018 $	2017 $
Short term benefits	309,183	295,771
Post employment benefits	25,403	35,051
Other long term benefits	1,367	5,048
Termination benefits	–	–
Total compensation	**335,953**	**335,870**

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

Note 16. Contingent liabilities and contingent assets

There were no specific contingent liabilities or requirements as at 30 June 2018 and 30 June 2017.

Note 16. Capital and leasing commitments

		2018	2017
a.	**Operating lease commitments**		
	Non-cancellable operating leases contracted for but not capitalised in the financial statements	$	$
	Payable — minimum lease payments		
	— not later than 12 months	33,104	–
	— between 12 months and 5 years	248,300	–
		281,404	–

Note 17. Events after the reporting period

There were no matters that have arisen since 30 June 2018, which significantly affected, or may significantly affect the operations of the Association, the results of those operations, or the state of affairs in subsequent years.

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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 2018, 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 2018, 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 2018, 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.

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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
3 September 2018