ANNUAL REPORT 2022/23

Holstein AUSTRALIA

Presented at the 36th Annual General Meeting

of the Holstein-Friesian Association of Australia Incorporated

Wednesday September 20 2023

THE HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INC.

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PRESIDENT'S REPORT

Garry Carpenter
President, Gunns Plains, TAS

Looking back over my final year as President I've been reflecting on the Board's focus on the future, putting the building blocks in place to drive the Association forward.

A vital part of the Board's role is to set the strategic direction to help the Association achieve its purpose. We're at the halfway point working to the current strategic plan, with progress in many key areas.

Key projects underway include scoping future IT requirements and, under the working title 'Why Holsteins?', a rigorous evidence-based review of the attributes of Australian Holsteins.

Governance

Following a nine- week consultation period, members approved the formation of the Member Advisory Committee.

The Board sees this as a key part of Holstein Australia's future. A representative member forum will contribute to programs and activities and keep the Association focused on effectively engaging with members.

Originally intended to be made up of regional representatives, every Holstein Australia sub-branch now has the opportunity for direct representation on this committee. This idea was put forward by members and embraced by the Board.

Sub-branches are the lifeblood of the Association. With the Member Advisory Committee in place, they will also be at its heart. It will provide all members - through their sub-branch nominated representative - with an opportunity to help shape future services and activities to ensure they meet member needs.

I'd like to thank members who contacted Board and management with suggestions and improvements to the Committee proposal. This new body will only make our Association stronger.

Youth and Future leaders

Over the second half of the year Holstein Australia worked with Jersey Australia on an initiative that will benefit the entire dairy industry. Creating a defined pathway focused on developing skills and creating leadership opportunities to equip young people for a dairy career.

Collaboration is a word thrown around a lot in our industry. On the youth front, I think it's really a case of alone we can do so little; together we can do so much.

While this work continues, several meetings have been held, with all dairy breed associations present, to create an industry wide dairy youth framework with the associations at the centre. Working together like this will only be of benefit to our industry.

The important first steps have been taken. The Board and I believe this will provide great opportunities for youth members to explore dairy career options and develop the skills needed to succeed.

Export

In the second half of the financial year there was a lot of discussion around export to China, which dropped off considerably towards the back end of the year.

The potential impact of this scenario has been a focus for many members and the Association, with the Board providing full support for management's focus on capitalising on opportunities in existing export markets and developing new markets.

In February, CEO Rohan Butler visited Pakistan with fellow 'Team Australia' members Genetics Australia and Jersey Australia. A busy few days at an international dairy expo was followed by a tour, organised by HRM (Holstein Research Management) Dairies, involving farm visits and presentations to more than 1,000 breeders, as well as the Australian High Commissioner and Pakistan government representatives.

This followed a 'Team Australia' initiative at World Dairy Expo in October. Holstein Australia also hosted delegations from China and Pakistan at Dairy House during the year, with the Pakistani delegation visiting member farms.

With Pakistan's focus on registered Holstein cattle backed by genomics, this work to develop trade with the fourth largest dairy producer in the world has never been more important.

The health of the dairy sector

As we all know, the dairy sector continues to contract with fewer dairy farms year-on-year.

The last year there was a 7% drop in membership. While not ideal, this is similar to the rate of industry decline.

HA service use, however, remains strong, either on track or above target, and 26 new members joined the Association.

While seeing members leave the industry is never easy, many have benefited from their time with the Association. Member sales of registered animals continue to outperform non-member sales by around $1,500 to $2,000 per animal or more.

Thank you, but not goodbye

My time as President has seen great change for the Association and the wider world. With the support of members, the Board has been able to focus on ensuring the Association can adapt to meet future needs.

We've also been able to support management and staff as key projects near completion - such as the new classification system - and effort is devoted to future proofing the Association.

Garry Carpenter
President and Chair of the Board

AUDIT and FINANCE REPORT

Phil Hall
Representative, the Audit and Finance Committee, Wokalup, WA

I am pleased to report to members that Holstein Australia recorded a strong financial performance in the 2022/23 financial year against a backdrop of rising costs and softening export market.

The top line figure is that the Association recorded a profit of $284,000 for the year, including the positive change in market value of the investment fund.

Gross Profit Up

Gross profit increased by 49% over the previous year, up by $140,000 from 2021/22, on the back of a significant increase in the investment fund value.

A $259,000 funding allocation for major initiatives - including the 'Why Holsteins' and IT / database projects – contributed to an operating expenses increase of just under 9%, saw operating profit decline by $351,000 to $139,000.

Sales revenue was almost identical to the previous year at $3.64 million, with total revenue of $3.86 million, down by 0.6% year-on-year.

Each revenue category, except export, was in line with budget expectations or above. Package and member subscriptions remained stable and registration income was up 10% in comparison to the previous period. Classification income declined 10% and Genomic income 4%, although both were significantly above budget.

While export revenue increased 8% to $1.22 million, this was well below budget due to the significant reduction in live export over the final two quarters of the financial year, despite the conservative forecast approved by the Board for the 2022/23 financial year.

Rising fuel and accommodation costs saw classifier running costs increase, staff exiting the business saw a reduction in member service salaries. In addition to the funding allocation for major projects, increased building, administration, Journal and marketing costs contributed to the 9% operating costs increase.

The Board feels this is a good result for members given the wider economic backdrop and resulting cost increases in key areas, plus the provision made for longer term projects.

Investment fund performance

Last year I reported on the decline in value of HA's investment portfolio resulting from the extreme volatility in the global equity markets during 2021/22. This year I can report the opposite. Our investment portfolio increased in value by $145,000 due to improved trading conditions in equity markets globally, which is reflected in the Profit & Loss statement.

Balance Sheet – steady as she goes

Total Assets increased by just under 3% to $5.46 million. While trade receivables were down by 3% on 30 June, this was more than outweighed by the increase in our financial assets.

A reduction in trade payables, provisions and lease liabilities saw total liabilities decrease by $141,000 or 17% to $828,000. Member equity rose by $284,500 to $4.64 million.

Challenging Outlook Ahead

Over the last half of the previous year, particularly given the uncertain economic outlook coupled with export market slow down and predictions for the year ahead, the Board has spent considerable time looking at how costs can be constrained while maintaining service delivery to members.

This was one of the factors behind the decision to make a forward investment in future projects, in line with one of our strategic business plan actions to create budget allocation for planned investment in revenue generating new technologies and projects.

The Board is also progressing a comprehensive audit of all current services, the intention being to implement changes to improve efficiency, deliverables and margins where necessary and identify service package opportunities, another key business plan action.

We have been here before, as recently as 2017/18, when there was a significant decline in the live export market. A realistic approach coupled with prudent financial management saw the Association come through that and move forward to where it is today. Those learnings are helping inform the decisions taken by the Board today.

Going forward, the Board is taking a very conservative approach acknowledging that adjustments may be necessary over the next year due to external factors.

Members may recall that at this time last year the Board was forecasting a loss for the Association given the significant investment in future projects made during the year. While the planned investment went ahead, the Association made a profit, contributing to reserves for the year ahead.

The Association, like many members, will be doing all it can to constrain costs over the next year, while continuing to deliver and improve the value of services to members.

Phil Hall
Representative, the Finance Committee

BREED DEVELOPMENT and CONFORMATION COMMITTEE REPORT

Gino Pacitti
BDCC Chair, Myponga, SA

I am delighted to report that after two years of online meetings due to COVID the BDCC was finally able to meet in-person and make herd visits to member farms. For the Committee charged with setting direction for the current and future production and functional characteristics of the Holstein breed, this has been both important for our work and a relief.

Committee

At the 2022 AGM Bryan Dickson from Emu Banks Holsteins was elected to the BDCC replacing Geoff Horrocks, Foxleigh Holsteins.

Geoff was a stalwart of the BDCC for 11 years, bringing his commitment to the betterment of the Holstein breed to every meeting. I would like to thank Geoff and acknowledge his passion, considerable contribution to the breed and the Association.

Bryan brings a focus on optimising a functional cow to ensure members are able to breed Holsteins that deliver consistently in the dairy to the BDCC. Reflecting his own personal breeding philosophy, this approach has certainly worked for the Dickson family's Emu Banks herd over the years.

Competitions
All-Australian Photographic Competition

The BDCC conducted a review of the All-Australian Photographic Competition during the year. I would like to thank the many members who contributed to this process.

Focus areas included timing of the competition year, international judges and eligible shows and discussion around advances in photography post-production and any potential impact on the competition, with recommendations made to the Board. Any changes to the existing format will be notified to members in due course.

During COVID, the Association ran a highly successful online 'People's Choice' promotion, with members voting for their favourite cow in each class over the previous 6 years. In future, an annual 'Members Choice' competition will be introduced allowing members to put their judging skills to the test in a fun and engaging way in a similar manner.

On judging of All-Australian shows, the BDDC confirmed that shows must be judged by an HA panel judge or a qualified panel judge from any other Australian breed association or international panel.

Following a well-attended judging school hosted by the SA Branch of Holstein Australia at Rockwella, Windy Vale and Mistybrae, Courtney Afford, Georgia Sieben and Casey Treloar have been added to the Panel. The over judges were impressed by the enthusiasm and quality of all participants, a healthy sign for the future.

Cow of the Year

Member judge Angela Tweddle, Benlargo Holsteins and industry judge Simon Tognola, joined the Committee to judge 10 high quality entries - a testament to both the strength of the breed and member breeding programs - with the winner being announced during Holstein Highlights in WA.

Breed Development

Master Breeder

The BDCC undertook a Master Breeder Award review during the year, determining that the points allocation for the Award should remain unchanged.

A definition of what constitutes an 'active breeder' was also determined, being 'a member who registers an animal within 3 years of the animal's birth'. All active breeders will be eligible to apply for Master Breeder status in future.

As the Association's way of recognising the long term success of member breeding programs, these reviews will continue to ensure the Award remains relevant and current, and the BDCC welcomes member contribution to these discussions.

Genetic Merit

The Committee met with DataGene's Matt Shaffer and Peter Thurn, principally to discuss genomic values and correlation to type evaluation. As part of these discussions, the BDCC gained valuable insight into the influence of the environment and management systems on genetics, where and how genetic data is sourced and the conversion of overseas data to Australian breeding values.

These conversations are vital to the work of the BDCC to ensure that all factors, including advances in the information available to breeders, are considered in our work to underpin the integrity of the Holstein breed in Australia.

Classification

BDCC members were able to experience classification from the other side of the fence, so to speak, under the tutelage of Leanne Summerville at Mitch Holsteins in June. Thank you to Brent and Kim Mitchell for hosting, and Leanne for both her patience and sharing her knowledge.

Also in June, HA Genomic Services Officer, Ally Bird, presented a paper on the relationships between profitability traits and conformation in Holstein cows to the Committee. Based on an analysis of 155,000 animals in the HA system, this illuminating report will shortly be available to all members.

Year-on-year classifications rose from around 27,000 to approximately 31,000 in the most recent financial year. The service is a vital part of many member breeding programs, with the BDCC looking forward to introduction of the upgraded classification system, which will include improvements to post-classification member reporting. This will add further to member value.

Discussions also commenced on mammary system traits, in particular rear teat placement, reverse tilt and small close teats, identified as an area of concern, with further discussions to be held to progress this matter.

In closing I would like to acknowledge BDCC members for what has been a busy, productive and interesting year. I would also like to acknowledge the many members who have contributed to and assisted in our discussions.

It is this collective passion for the breed, the drive to improve it and the willingness to embrace change where necessary that will see the Australian Holstein developing and performing into the future.

Gino Pacitti
Chair, Breed Development and Conformation Committee

CEO REPORT

Rohan Butler
Chief Executive Officer

All in all it has been year of quiet progression and consolidation for the Association. As always there are challenges with things such as the significant reduction in animals being live exported to China.

Staff Operations
The Association started the year with 16 Full Time Equivalents (FTE) and finished with 15, with a significant realignment of team roles and responsibilities.

Sadly we saw the retirement of David Jupp from his full-time role in January 2023. While David remains with the Association part-time as Company Secretary, his work is now focused solely on the Governance of the Association, with most of this work around the AGM and Board and committee meetings.

John Crowther has stepped into the role of Export and Operations manager. This has seen John take on many of David's responsibilities. This was a succession plan more than 12 months in the making and I congratulate both for the professional and seamless way they undertook this.

Given John retains some of his previous tasks and takes on managing the Member Services team, some of David's tasks were also redistributed amongst other staff members such as Association Accountant Jayne Brown and myself.

Miranda Clark took maternity leave for effectively the full financial year. To ensure the genomic testing space was properly resourced part time staff member Ally Bird was employed to assist in this area. Along with administration Ally also has skills in research, which saw her take on more work in the second half of the year to complete some high priority projects. There are still a few key IT and research projects on the annual operating plan and Ally has been employed full-time to help progress these projects.

Annual Operating Plan
On top of the day to day running of the Association and core member services, the Board and management worked to an operations plan for the financial year with the aim of achieving the Associations strategic objectives.

Classification Survey
With Classification being one of the Association's core services it is critical to understand what members want from the system. This has been reported to members previously, and while in the most part the service was well received there are some areas for specific improvement, namely consistency between classifiers, now an area of focus for the classification team.

New Classification System
Back in May 2007 HA adopted the Canadian Classification software, a system that has served us very well. Ironically the first iPhone was also released that year. Much has changed in the IT space since then and it is fair to say the current Classification system has become dated.

In 2022 Holstein Canada implemented a new software version in Canada, and across the last 12 months there has been much work to make this available to HA. Over next few months ABRI will implement the local end of this. We anticipate this update will occur in October/November 2023. The result of this will be significantly improved hardware and software efficiency and reliability. Improved reporting will also be implemented as part of this process.

Caisley Ear Tags
Over the last two years the Association has been working closely with German ear tag manufacturer, Caisley. As a result HA will be offering an ear tag that also takes a tissue sample for DNA testing. The simple beauty of this product is that the ear tag in the cow's ear is directly linked to the DNA sample taken, removing sampling error and directly linking the genomic results to the animal. An online ordering system is being developed to facilitate sales of these tags.

Research Project Type and Profitability
A key part of the classification system is that the final score relates to animals that are efficient and profitable. Staff member Ally Bird, in conjunction with DEDJTR staff, identified a data set of animals classified over the last 10 years and had measures of profitability such as yield, survival and calving interval. This has enabled HA to update the links between type traits and profitability. From here the BDCC and Board will use these facts to make sure classification system weightings are optimised. Results of this work will be published in an upcoming Journal.

IT Review and Development
In this report last year it was flagged that a review of Association IT had been undertaken. There were some key outcomes of that project:

1. Outside of our current IT providers no better "off the shelf" IT products exist that HA could adopt and instantly improve efficiencies
2. Staff are working well but their work could be made easier and manual handling significantly reduced with improved systems
3. Members and stakeholders expect IT services to be streamlined in line with other industries.

Across the last 12 months HA in conjunction with key IT stakeholders have undertaken significant work to scope HA's future IT requirements.

Member Services

Registrations
A solid year for registrations. Looking at the registration transactions this was driven by several member catch ups along with premiums for registered heifers sold for export to China.

Genomics
Following the steep rise the previous year, a plateauing of the genomic testing uptake was seen. To date this has been attributed to a slowdown in autumn 2023. Genomic testing, like registrations, is driven by live export numbers and there was an export slowdown in the second part of the financial year.

Classification

Classification numbers return to what might be considered normal following years affected by COVID restrictions. With implementation of the new classification system in the latter part of 2023 we expect to see continued uptake of this service.

Summary

Looking back, with work also completed supporting Governance changes, it has been a busy and productive year with a good combination of maintaining current services alongside work behind the scenes to achieve the strategic plan objectives.

Rohan Butler
Chief Executive Officer

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

ABN: 87 455 118 302

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2023

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

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General information

The financial statements cover Holstein-Friesian Association of Australia Incorporated as an individual entity. The financial statements are presented in Australian dollars, which is Holstein-Friesian Association of Australia Incorporated 's functional and presentation currency.

Holstein-Friesian Association of Australia Incorporated is a not-for-profit entity, incorporated and domiciled in Australia. Its registered office and principal place of business is:

AgriBio
5 Ring Rd
Bundoora VIC 3083

The financial statements were authorised for issue, in accordance with a resolution of the Committee. Members of the Committee have the power to amend and reissue the financial statements.

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 2023 and its performance for the year ended on that date in accordance with the Australian Accounting Standards - Simplified Disclosures, 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 become due and payable.

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
President

J. J. Grey.

J. Grey
Vice President

Dated this 30th day of August 2023

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $	2022 $
Revenue			
Sales revenue	3	3,646,520	3,647,924
Other income	3	217,665	239,382
Expenses			
Classification expenses		(813,201)	(732,696)
Technical services expenses		(693,886)	(753,220)
Export services expenses		(532,636)	(477,628)
Member services expenses		(631,432)	(725,438)
Building expenses		(14,676)	(13,267)
Administration & office overhead expenses		(378,052)	(311,732)
Marketing & journal expenses		(284,465)	(248,940)
Project expenses		(259,690)	–
Depreciation & amortisation		(116,657)	(134,431)
Total operating expenses		**(3,724,695)**	**(3,397,352)**
Change in market value of investments	8	145,062	(344,998)
Surplus/(loss) from continuing operations		284,552	144,956
Other comprehensive income		–	–
Total comprehensive surplus/(loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated		**284,552**	**144,956**

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 2023

	Note	2023 $	2022 $
Current assets			
Cash and cash equivalents	5	1,099,083	1,184,618
Trade and other receivables	6	389,989	608,536
Short-term deposits		305,000	55,368
Other current assets	7	15,767	13,806
Total current assets		**1,809,839**	**1,862,328**
Non-current assets			
Financial assets	8	3,194,111	2,922,184
Plant and equipment	9	137,607	130,569
Right-of-use assets	10	264,537	331,239
Intangible assets	11	62,090	78,341
Total non-current assets		**3,658,345**	**3,462,333**
Total assets		**5,468,184**	**5,324,661**
Current liabilities			
Trade and other payables	12	288,659	351,796
Provisions	13	236,034	248,435
Lease liabilities	14	66,500	67,283
Total current liabilities		**591,193**	**667,514**
Non-current liabilities			
Provisions	13	8,865	4,052
Lease liabilities	14	228,394	297,915
Total non-current liabilities		**237,259**	**301,967**
Total liabilities		**828,452**	**969,481**
Net assets		**4,639,732**	**4,355,180**
Equity			
Retained surpluses		4,639,732	4,355,180
Total equity		**4,639,732**	**4,355,180**

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Retained surpluses $	Total equity $
Balance at 1 July 2021	4,210,224	4,210,224
Operating surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	144,956	144,956
Other comprehensive income for the year	–	–
Total comprehensive surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	144,956	144,956
Balance at 30 June 2022	**4,355,180**	**4,355,180**
Operating surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	284,552	284,552
Other comprehensive income for the year	–	–
Total comprehensive surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated	284,552	284,552
Balance at 30 June 2023	**4,639,732**	**4,639,732**

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 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from operations		4,306,558	4,141,084
Dividends and distributions received		134,327	174,779
Interest received		11,851	333
Interest paid on lease liabilities		(15,116)	(12,758)
Payments to suppliers and employees		(4,039,349)	(3,548,833)
Net cash from / (used in) operating activities	20	**398,271**	**754,605**
Cash flows from investing activities			
Proceeds from sale of fixed assets		4,000	–
Payments for fixed assets		(41,004)	(2,658)
Payments for short-term deposits		(250,000)	(368)
Proceeds from financial assets	8	330,541	375,503
Payments for financial assets	8	(457,039)	(519,816)
Net cash (used in) investing activities		**(413,502)**	**(147,339)**
Cash flows from financing activities			
Repayment of lease liabilities		(70,304)	(63,257)
Net cash (used in) financing activities		**(70,304)**	**(63,257)**
Net (decrease) / increase in cash and cash equivalents		(85,535)	544,009
Cash and cash equivalents at the beginning of the financial year		1,184,618	640,609
Cash and cash equivalents at the end of the financial year	5	**1,099,083**	**1,184,618**

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 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 the Australian Accounting Standards - Simplified Disclosures 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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

Intangible assets
Intangible assets acquired are initially recognised at cost. These assets have a finite life and are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Software
Significant costs associated with software are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 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.

Note 1. Significant accounting policies (continued)

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.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Association’s incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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.

Note 1. Significant accounting policies (continued)

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 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.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Association's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Association reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Association estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

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

	2023 $	2022 $
Sales		
Package fees	206,746	212,783
Subscriptions	128,542	131,602
Registrations	478,174	430,879
Transfers	58,348	69,496
Export charges	1,223,488	1,123,007
Classification	932,044	1,028,199
Technical services	524,323	546,041
Other operating revenue	94,855	105,917
	3,646,520	**3,647,924**
Other Income		
Interest received	11,851	333
Dividend & distribution income	134,327	174,779
Miscellaneous	67,487	64,270
Profit on sale of assets	4,000	–
	217,665	**239,382**
Total Income	**3,864,185**	**3,887,306**

Note 4. Expenses

Operating surplus before income tax includes the following specific expenses:

Salaries	1,127,984	1,097,290
Superannuation	117,067	108,606
Employee benefits expenses (included within expenses by function)	**1,245,051**	**1,205,896**

Note 5. Cash and cash equivalents

Investment portfolio cash	131,819	150,198
Cash at bank	967,264	1,034,420
	1,099,083	**1,184,618**

Note 6. Trade and other receivables

Current		
Trade receivables	350,881	576,422
Other receivables	39,108	32,114
	389,989	**608,536**

Note 7. Other current assets

Current		
Prepayments	15,767	13,806

Note 8. Financial assets

	2023 $	2022 $
Non-Current		
Portfolio investment	3,194,111	2,922,184
	3,194,111	**2,922,184**
Movement of investments		
Balance at beginning of the year	2,922,184	3,122,869
Purchases	457,407	519,816
Disposals (Proceeds)	(330,542)	(375,503)
Change in market value of investments	145,062	(344,998)
Balance at end of the year	**3,194,111**	**2,922,184**

Note 9. Plant and equipment

Office Equipment		
At cost	6,534	6,534
Less: Accumulated depreciation	(5,545)	(5,180)
	989	**1,354**
Computer Equipment		
At cost	91,425	97,406
Less: Accumulated depreciation	(83,668)	(81,198)
	7,757	**16,208**
Furniture, Fixtures and Fittings		
At cost	174,505	174,505
Less: Accumulated depreciation	(78,949)	(61,498)
	95,556	**113,007**
Motor Vehicle		
At cost	39,669	–
Less: Accumulated depreciation	(6,364)	–
	33,305	**–**
Total Plant and Equipment	**137,607**	**130,569**

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 Vehicle $	Total $
Balance at beginning of year	1,354	16,208	113,007	–	130,569
Additions	–	1,335	–	39,669	41,004
Write down	–	(262)	–	–	(262)
Depreciation expense	(365)	(9,524)	(17,451)	(6,364)	(33,704)
Balance at end of year	**989**	**7,757**	**95,556**	**33,305**	**137,607**

Note 10. Right-of-use assets

	2023	2022
	$	$
Right-of-use assets – building lease	366,688	366,688
Accumulated amortisation	(158,568)	(118,926)
	208,120	**247,762**
Right-of-use assets – motor vehicle lease	135,297	135,297
Accumulated amortisation	(78,880)	(51,820)
	56,417	**83,477**
Total Right-of-use assets	**264,537**	**331,239**

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	247,762	83,477	331,239
Amortisation	(39,642)	(27,060)	(66,702)
Balance at end of year	**208,120**	**56,417**	**264,537**

Note 11. Intangible assets

	2023	2022
	$	$
Database System and Software	707,170	707,170
Accumulated Amortisation	(645,080)	(628,829)
	62,090	**78,341**
Movements in carrying amounts		
Balance at beginning of year	78,341	117,188
Amortisation	(16,251)	(38,847)
Balance at end of year	**62,090**	**78,341**

Note 12. Trade and other payables

Current		
Trade payables	196,592	202,858
BAS payable	27,457	61,598
Sundry payables and accrued expenses	52,010	76,783
Member fees in advance	12,600	10,557
	288,659	**351,796**

Note 13. Provisions

	2023	2022
Current	**$**	**$**
Provision for annual leave	138,086	136,302
Provision for long service leave	97,948	112,133
	236,034	**248,435**
Non-current		
Provision for long service leave	8,865	4,052
	8,865	**4,052**

Note 14. Lease liabilities

Current		
Building lease liability	35,359	37,519
Motor vehicles lease liability	31,141	29,764
	66,500	**67,283**
Non-current		
Building lease liability	187,435	225,816
Motor vehicles lease liability	40,959	72,099
	228,394	**297,915**

Note 15: Key management personnel disclosures

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

	2023 $	2022 $
Aggregate compensation	303,429	369,500

Transactions with related parties
Other than amounts paid to key management personnel there were no transactions with related parties during the current and previous financial year.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Note 16. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by DFK Kidsons Partnership, the auditor of the Association:

	2023 $	2022 $
Audit services		
Audit of the financial statements	12,600	11,730
Other audit related services	7,040	–
	19,640	11,730

Note 17. Contingent liabilities and contingent assets

The Association had no specific contingent liabilities or contingent assets as at 30 June 2023 and 30 June 2022.

Note 18. Commitments

The Association had no commitments for expenditure as at 30 June 2023 and 30 June 2022.

Note 19. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 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.

Note 20. Reconciliation of result for the year to net cash inflow / (outflow) from operating activities

	2023 $	2022 $
Comprehensive result for the year	284,552	144,956
Non-Cash Movements		
Depreciation and amortisation	116,657	134,431
(Gain) / loss on financial assets	(145,062)	344,998
Profit on sale of fixed assets	(4,000)	–
Write down of fixed assets	262	221
Movements in assets & liabilities		
(Increase)/decrease in receivables	218,547	49,682
(Increase)/decrease in prepayments	(1,961)	33,739
Increase/(decrease) in payables	(63,136)	40,788
Increase/(decrease) in provisions	(7,588)	5,790
Net Cash Inflow in Operating Activities	398,271	754,605

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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 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the 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 Association as at 30 June 2023, and of its financial performance and its cash flows for the year then ended; and
(b) complying with Australian Accounting Standards – Simplified Disclosures.

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 Association 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 Association's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

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 – Simplified Disclosures, 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Association'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 Association'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 Association'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 Association 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
Chartered Accountants

Michael L Port
Partner

Melbourne
30 August 2023