

ANNUAL REPORT 2019/20



Holstein

A U S T R A L I A

Annual General Meeting

**Thursday October 8 streamed online from the Holstein Australia office at Dairy House,
AgriBio, Victoria**

THE HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INC.

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PRESIDENT'S REPORT

Patrick Glass, President, Gundowring Victoria

To say 2020 has been an interesting year is an understatement. Nearly everything that happens within the Association has been effected by the COVID-19 pandemic, but just the same on the farm, the work continues, business as usual.

At a high level it has been a very successful year for HA. Despite a significant drop in the investment portfolio we have seen a significant rise in member's equity to \$3.248 million. This is primarily driven by high levels of export activity and Holstein Australia's role in facilitating that trade.

We continue to see a change in the way we interact with Members. Providing members with regular updates about the Association and the celebrating member's successes has been a high priority for the Board. This has included increased levels of social media activity and increasing the frequency of the Association's email update *Dispatch* from monthly to fortnightly.

The Board is always looking for continuous improvement in the governance of the Association. During the past financial year this included the creation of the Audit and Risk committee. This committee has been recommended to us by our Auditor. Made up from an external appointment with special skills and selected board members this is a committee we expect to meet 2-3 times a year to make sure that HA has all the correct checks and balances from a finance, governance and operational perspective.

The value of registered Holsteins continues to go from strength to strength. With prices for export heifers currently exceeding \$2000 per head. We also have regularly seen Holstein members receiving a premium for their registered animals at sale; in some cases many hundreds of dollars. This is a true market reflection of value of registered cattle and the quality of cattle that HA members provide to the Australian Dairy industry.

In somewhat sadder news, during the year Colin Ekers from Port Elliot South Australia passed away. Colin's efforts in promoting the Holstein breed and dairy farming in general to both people within the industry and also the general public was example for us all. Our thoughts are with his family.

I want to thank the contribution of the staff that help manage the Association. During the 2019/20 year COVID-19 and the movement restrictions it has brought about have meant our office staff have had to work from home and our field staff were initially taken off the road before returning. Currently, the office staff remain working from home, while the field team are back working within the restrictions placed on us by relative state governments.

While the staff haven't been able to operate within the 4 walls of Dairy House for some time now the collaboration with our Dairy House partners has continued to grow. We have now implemented a service sharing arrangement for accounting staff. In short this means each

organisation contributes to the total cost of the accounting staff. Doing this has several benefits. Firstly there are some cost savings. More importantly though all three organisations get access to high quality accounting staff with a variety of skill sets. It also means all organisations have backup in the case that staff want to take leave or are unwell business can continue uninterrupted.

The most important decision a Board makes is the CEO. During the past 18 months former CEO Graeme Gillan approached the Board and indicated a desire to take a step back. This triggered the Board to undertake a succession plan to identify the next CEO for Holstein Australia. A process was undertaken including consulting with recruiters and human resources experts. Following a lengthy consultation and interview process Mr Rohan Butler was appointed to the role in June with the handover on 1 August. The opportunity to appoint a CEO from a current staff member was highly appealing. Over the last 12 months Rohan has been heavily involved in the development of the Strategic Business Plan and now has the opportunity to implement that plan, and I wish him, the staff and the Board the best of luck in implementing the plan.

Under Graeme's guidance over the past 6 years Holstein Australia has proven to be a resilient and progressive Association. I want to take this opportunity to thank Graeme for his time as CEO. He has guided the Association through some of the toughest periods the dairy industry has seen in recent times and his legacy has left the Association in an extremely strong position.

Patrick Glass
President and Chair of the Board

2019/20 FINANCIAL REPORT

Garry Carpenter
Representative, the Finance Committee

In a year of two halves that can only be described as extraordinary operating conditions for the Association it gives me great pleasure to announce a second consecutive successful year with a fully accounted surplus for the 2019/20 financial year of \$299,607.

The result reflects a continuation of revenue growth in our service offering as well as sustained export activity coupled with support for business from state and federal government during the COVID-19 pandemic.

While our investment portfolio performed below expectations and had a negative impact on the bottom line with unrealised loss of \$160,579 the business performed extremely well with a surplus of \$460,186 - up 22% from last year - before taking into account the unrealised loss

Consequently, our balance sheet remains strong with member's equity now at \$3.248 M up 9% from the previous year.

2019/20 PROFIT & LOSS

REVENUE

Revenue for the year increased by 8% or \$291,402 to \$3.555 M with gains in the 1st tier categories of registrations, transfers, genetics testing and technical services. These have come about largely due to the better aligning of resources to those activities.

Classification revenue of \$732,505 was only down 2% which is an exceptional result considering the class team were off the road for an extended period during the height of COVID-19 restrictions.

Export revenue was on par with last financial year with a slight increase in income of 4% to \$997,118.

In 2nd tier revenue project and contract services was up 29% to \$84,785 and the Association benefited from state and federal government funding to the tune of \$152,500 through various assistance packages. Government assistance will continue into the current financial year but at reduced levels with program wind backs and more stringent eligibility requirements.

Our JobKeeper payments helped offset the unrealized loss of \$160,579 recorded against our investment portfolio due to COVID-19 related global equity market volatility in the 2nd half of 2020.

EXPENSES

In 2019/20 Expenses (including Export Service Charges that were marginally higher at 3%) increased by 6% to \$3.095 M.

Classification expenses were 6% higher despite a period where tours were put on hold during the 2nd half of the year due to COVID-19.

Some re-categorising of salaries to more accurately align expenses with the service performed showed a Technical Services expenses increase of 28% and Member Services expense decrease of 6%. While not a dollar for dollar switch the accounts now more accurately record where staff salaries are domiciled.

As expected building expenses were significantly lower than last year with the move to AgriBio complete.

While total expenses for the year increased marginally it's fair to say that prudent cost reductions introduced over the last two years have had the desired effect, however it is now unlikely this level of expense control can be maintained and still meet the needs of our service delivery.

2019/20 BALANCE SHEET

Cash reserves remain strong up 28% to \$765,048 allowing flexibility should those reserves be called upon in the future. Our investment portfolio stands at \$2.024 M. Total assets now stand at \$4.052 M up 13% from 2019.

Current liabilities decreased by 13% while non-current liabilities increased due to newly introduced accounting standards for lease liabilities. Total liabilities stand at \$803,798 up 28% largely due to the new accounting standard.

As stated earlier member's funds continue to grow with member equity now at \$3.248 M up 9% from the previous year.

SUMMARY

The Association's financial turnaround witnessed in 2018/19 continued through 2019/20 despite the upheaval of managing the business through COVID-19.

Broadly speaking the financial performance for the year reflected the diversity of the Association's service offering but more importantly demonstrated that members continue to use our services at financially healthy levels.

BUDGET 2020/21

The 2020/21 Budget of a \$46,513 surplus is a cautious forecast in line with previous years based on conservative revenue numbers and consistent expense estimates.

REVENUE

As in previous years we are conservative in our approach to export income and have forecast 75% of 2019/20 revenue. While we expect the trade to continue strongly it can be problematic to budget on the same levels of activity and therefore revenue based on last year's results.

For Member Services and in particular Registrations we expect an improvement in activity with 2020/21 seeing a full year of resources dedicated to driving up member service uptake.

We expect an improvement in classifications as hopefully COVID-19 restrictions are wound back nationally. The accounts have been adjusted to now include revenue from the GINFO project into classification. This better reflects the use of the class team as that project continues to grow.

EXPENSES

Overall the budget forecasts a slight decrease in total expenses although some business areas will see increases, such as classification, with the recent appointment of an additional classifier. This should be offset by additional classifications.

Member services sees an increase of 17% in line with the proper allocation of salaries.

SUMMARY

Management have set another conservative budget in line with other years and with prudent expense control the 2020/21 year should progress as planned.

Early indications from the July/August trading period are that we are ahead of budget for the current year but slightly behind our trading position for this time last year.

Garry Carpenter
Representative, The Finance Committee

BREED DEVELOPMENT and CONFORMATION COMMITTEE REPORT

Jenny Grey, BDCC Chair, Kiama, NSW

Good afternoon everybody.

Once again it is my pleasure to present the Breed Development and Conformation Committee Report for 2019/20. To say the least this year has had its challenges in so far as COVID-19 put a halt to what many on the committee would argue is a highlight of the year and that's the out of town on farm visits. Nevertheless and with Zoom technology playing its part the committee continued its work in the second half of the year albeit limited.

Committee

As is required under the Association's governance two members of the BDCC have reached the end of their current terms and I would like to personally thank Lynette Greenwood and Brett Cirillo for their service and commitment to the committee over the last few years. Both are eligible to renominate for another term but unfortunately Lynette decided not to seek another term so we will have a new face on the committee at our next meeting.

Lynette Greenwood joined the committee in October 2013 and remained a member for the next 7 years successfully renominating in 2017 after what was then 4 year terms.

Lynette brought to the committee her no nonsense practical and "get on with it" attitude on all things. She was and remains a wonderful supporter of the classification system not only around the committee table but also for her Alnor Holsteins herd near Ballarat.

Her willingness to include her herd in research projects was testimony to her support of class and the Association and as well as a true believe in the importance and value of proper and accurate animal identification. Something the class team appreciates.

The Committee was again honoured to have the services of Dr Mary Abdelsayed as a member before Mary went on maternity leave. Dr Abdelsayed continues to make a valuable contribution to our discussions and will make a welcome return to next we meet.

In the September meeting the committee met with the Board and the Strategic Directions Committee (SDC) to discuss the national committees' structure and terms of reference and the overall health and effectiveness of the governance of the Association.

The outcome from these discussions and preliminary work was to become the foundation of the 2020/25 Strategic Business Plan and the Committee appreciated their involvement in this very important initiative. It also provided the opportunity for members of both the SDC, the BDCC and the board to rub shoulders and better understand the roles and responsibilities of each committee.

Competitions

As I have said in the past the BDCC oversees the major competitions of the Association, the Cow of the Year and the All Australian.

COVID-19 seriously affected the "where and the how" these two prestigious competitions were judged. Gone was the annual face-to-face and robust argy-bargy across the judging table and in place was judging via Zoom with its inherent technical challenges, intermittent reception and juggling hundreds of photographs.

Lisa McKay, David Peglar and Matthew Templeton selected the All Australian finalists for this year's competition. This year was Matt's first and Lisa's last year as judge of the All Australian; no doubt, Lisa like all past judges that come to their term's end will miss her time pouring over photos and the robust discussions that are commonplace amongst the three judges. Perhaps not over Zoom!

I would like to pass on a personal vote of thanks to the judges and to Delia Worth from the office who collated all the entries and photographs who showed great patience and perseverance to get the job done. Thank You.

For the Cow of the Year judging the Committee was joined by member judge David Johnston Boorcan, VIC and by industry judge Dale Bryce from Premier Genetics and Livestock Solutions Nowra NSW to judge a narrow but extremely strong field of entrants. Congratulations to the finalists.

I would like to take the opportunity to say thank you to the members who continue to support the Cow of the Year competition. While the number of entries can always be higher it's because of your entries the competition continues for another year; so Thank You!

Again, this year the number of entrants was strong and the competition continues to be the premier photographic competition in Australia. Congratulations to the finalists; they are a credit to the breed and their breeders and owners.

On behalf of the Committee, I would like to thank the judges for taking the time to help shine a spotlight on the best Holsteins in Australia.

A decision by the committee as to whether the competition is run in 2020/21 needs to be made soon as the number of shows at local, state and national level is very limited due to COVID-19.

It would make sense to bend with breeze and make the call but it is an important decision something the BDCC will take seriously.

The Semex Holstein Australia On Farm Challenge rolled along as usual last year with a healthy number of entries in each state. Without the support of the numerous members throughout the sub branch network and the generosity of Semex the competition would not be what it is.

Sadly as you would know this year's competition has been cancelled due to COVID-19 in what would have been the competitions 20th year. I'm sure we will celebrate a wonderful 21st year in 2021.

Breed development

During the year a number of activities were supported, initiated or engaged with by the BDCC and include:

- In November held an Out of Town meeting in Northern Victoria visiting Mitch Holsteins and Redmaw Holsteins.
- In December held joint discussions with DataGene during the National Breeding Objective 2020 review

March 2020 National Judging School in March in Colac, VIC.

Some 18 participants attended and 7 were successful and have been added to the National Judging Panel. The schools overjudges included Jade Sieben, Vaughan Johnston and Pat Nicholson.

This was Pat's 3rd school as overjudge and all 3 showed their professionalism throughout the school as well as no doubt some patience when required. The group remained enthusiastic from the beginning and that helped make the event such a success.

Also attending were BDCC members Geoff Horrocks, Brett Cirillo and myself. This gave some of the committee first-hand knowledge of the school and will allow the BDCC plan for another judging school next time around.

I must not forget the enormous effort and on the ground organisation from the members of the Western District sub branch. Without this help the school would not have been the success it was; so a huge Thank You.

Classification

No doubt COVID-19 has been and will be mentioned throughout this year's AGM. Obviously, the pandemic has had a big impact on where we could send the classifiers and continue to deliver this service to members.

A big thank you to the class team who despite a lengthy shut down during the second half of 2019/20 were kept busy with a national member ring around which from all reports was well received.

I would also like to take the opportunity to thank someone who is an integral part of the class team but rarely gets the recognition they deserve. Behind every class tour, every phone call and SMS that goes into the tours sits a member of staff who largely goes unheralded. Some of you may know John Crowther and I'm sure most of you have spoken to him on the phone. John's job is to juggle the booking the class and juggling the where abouts of the classifiers; not an easy job but John does it without fanfare or platitudes. Thank You John!

Throughout the pandemic, the number one priority had been the health and welfare of the staff as well as members and I would like to pass on my thanks to every member for their patience through this difficult period.

During the last few months class is back up and running in those states and regions where restrictions allow and as I speak the signs are improving with border closures being lifted.

To help with the class backlog a new classifier has been recruited and despite COVID-19 has finally started training. Rob Marshall might be known to members through his involvement with the Northern Victoria sub branch. Welcome Rob!

In closing, I would like to thank Graeme Gillan for his support of and direct involvement with the BDCC during his time as CEO and I look forward to a similar level of engagement from new CEO Rohan Butler.

Finally to my fellow Committee members for their hard work and dedication during the past 12 months; thank you.

Thank you Mr President

Jenny Grey

Chair, Breed Development and Conformation Committee

CEO REPORT

Rohan Butler, Chief Executive Officer

The 2019/20 financial year has been one of two very distinct halves the first half of the year saw operations as normal, events conducted, competitions run. The second half of the year was turned on its head, with operational restrictions brought on due to the COVID-19 pandemic.

Staff Operations

Operating throughout the year with 14 staff members including 4 classifiers operating on the road. The biggest change for the year was the employment of Simon Adams as Services Extension Officer. While in some ways this is a back to the future moment, some of the role is very similar to the way Field Officers have operated in the past helping establish new members

and old members get caught up on registrations. As restrictions ease the plan is for Simon to be out visiting members.

The onset of the restrictions brought about by the COVID-19 pandemic in March resulted in office based staff working from home rather than at Dairy House and due to the second wave in Victoria the situation remains much the same at the time of the AGM. Classifiers were also taken off the road for 6 weeks. They have now returned to the road with a COVIDsafe plan in place.

Outside of the change of location, the same as on farm, operations have remained as close to normal as possible. The staff both in the virtual office and in the field have to be commended for the work during the year under trying circumstances.

Strategic Business Plan

In order to keep Holstein Australia providing relevant services we have a business plan. Traditionally the plan is revised every 5 years and 2019/20 was a review year. A process was undertaken working initially with the Board, Strategic Directions Committee, Breed Development and Confirmation Committee and Staff. This culminated with a meeting of the Board and two committees.

The plan has a very deliberate structure Aspiration > Objective > Action. This is a pyramid process whereby we have identified the Aspiration or the place the business needs to be. From there the objectives are the things that need to change to get to the aspiration and the actions are the to-do list that help reach the objectives.

Recently the plan was released to the sub branch office bearers and the document will soon be available for members to review so they can understand the direction of the organisation. Work has already begun on the new plan with several actions already being completed such as the employment of the Communications Coordinator, welcoming Sarah Keens to the team in August.

Member Services

Registration

Unfortunately registrations numbers continued to trend down with a total of 37,621 registrations down 6,978 on the 4 year average. Obviously not a great statistic but a reality that impacts other organisations in the dairy industry. The employment of the Service Extension Officer is critical in turning this tide, there are other key elements in the Strategic Business Plan to address this issue.

Genomics

The genomic service continues to slowly grow, with 14,317 tests up 42% on the previous year. The 2018/19 year was though a low point and 2020/21 will be a year where HA looks to

consolidate the numbers of genomic tests processed the continued strength of the live heifer export market will help this.

Classification

The number of evaluations for the year was stable year on year with a total of 25,960. Given there was a 6 week period with the whole team not working on the road this is a great outcome. Early numbers for 2020/21 are showing there is some catch up from the shutdown period and we expect numbers to be up significantly with an additional classifier being employed and increased work coming from the GINFO research project.

Export

Export inspections and pedigree certifications continues to be a strong income earner for the Association. A visit to China in July last year confirmed that while the trade can be volatile there continues to be strong demand from Australian Holstein Heifers in China.

The strategic business plan has a strong focus on export with significant member feedback indicating that they want to see HA focus on helping build export markets that provide opportunities for members to market live cattle, embryos and semen.

Summary

In summary the 2019/20 year was a year of consolidation for Holstein Australia with export driving a very healthy surplus. Operations have managed to continue in a normal manner despite pandemic lockdowns. We look forward to 2020/21 being a year of development with the implementation of the strategic business plan and the introduction several new services.

Finally, I would like to reiterate the words from Patrick on Graeme Gillan's tenure as CEO and to also thank him for the guidance leading me up to the transition of the changing of the guard.

Rohan Butler
Chief Executive Officer

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

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020**

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

TABLE OF CONTENTS

| | Page |
|--|------|
| Statement by Members of the Committee | 2 |
| Financial Report | |
| Statement of Profit or Loss and Other Comprehensive Income | 3 |
| Statement of Financial Position | 4 |
| Statement of Changes in Equity | 5 |
| Statement of Cash Flows | 6 |
| Notes to the Financial Statements | 7 |
| Independent Audit Report | 18 |

**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 2020 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 2 day of September 2020

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

| | Note | 2020 \$ | 2019 \$ |
|---|------|-----------------------|-----------------------|
| Revenue | | | |
| Sales revenue | 3 | 3,184,435 | 3,034,972 |
| Other income | 3 | 370,779 | 228,840 |
| Expenses | | | |
| Classification expenses | | (478,502) | (448,271) |
| Technical services expenses | | (804,202) | (593,632) |
| Export services expenses | | (376,147) | (364,286) |
| Member services expenses | | (570,229) | (605,785) |
| Building expenses | | (28,574) | (113,929) |
| Administration & office overhead expenses | | (386,661) | (360,202) |
| Marketing & journal expenses | | (244,125) | (244,198) |
| Projects & contract services expenses | | (66,538) | (59,777) |
| Depreciation & amortisation | | (140,050) | (114,263) |
| | | <u>(3,095,028)</u> | <u>(2,904,343)</u> |
| Operating surplus/(loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated | | 460,186 | 359,469 |
| Other comprehensive income | | | |
| Net fair value gain/(loss) on other financial assets | 8 | (160,579) | 16,188 |
| Total comprehensive surplus/(loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated | | <u>299,607</u> | <u>375,657</u> |

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

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | Note | 2020 \$ | 2019 \$ |
|--------------------------------------|------|-------------------------|-------------------------|
| Current assets | | | |
| Cash and cash equivalents | 5 | 765,048 | 551,580 |
| Trade and other receivables | 6 | 550,133 | 726,831 |
| Other current assets | 7 | <u>50,832</u> | <u>58,070</u> |
| Total current assets | | <u>1,366,013</u> | <u>1,336,481</u> |
| Non-current assets | | | |
| Financial assets | 8 | 2,024,740 | 1,786,381 |
| Property, plant and equipment | 9 | 175,527 | 186,565 |
| Intangible assets | 10 | 158,804 | 212,789 |
| Right of use assets | 11 | <u>327,046</u> | <u>-</u> |
| Total non-current assets | | <u>2,686,117</u> | <u>2,185,735</u> |
| Total assets | | <u>4,052,130</u> | <u>3,522,216</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 219,098 | 373,969 |
| Employee benefits | 13 | 222,560 | 174,752 |
| Lease liabilities | | <u>34,207</u> | <u>-</u> |
| Total current liabilities | | <u>475,865</u> | <u>548,721</u> |
| Non-current liabilities | | | |
| Employee benefits | 13 | 28,156 | 24,770 |
| Lease liabilities | | <u>299,777</u> | <u>-</u> |
| Total non-current liabilities | | <u>327,933</u> | <u>24,770</u> |
| Total liabilities | | <u>803,798</u> | <u>573,491</u> |
| Net assets | | <u>3,248,332</u> | <u>2,948,725</u> |
| Equity | | | |
| Retained surpluses | | <u>3,248,332</u> | <u>2,948,725</u> |
| Total equity | | <u>3,248,332</u> | <u>2,948,725</u> |

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 2020

| | Retained surpluses \$ | Total equity \$ |
|---|-----------------------------|-------------------------|
| Balance at 1 July 2018 | 2,573,068 | 2,573,068 |
| Operating surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated | 359,469 | 359,469 |
| Other comprehensive income for the year, net of tax | <u>16,188</u> | <u>16,188</u> |
| Total comprehensive (loss) for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated | <u>375,657</u> | <u>375,657</u> |
| Balance at 30 June 2019 | <u>2,948,725</u> | <u>2,948,725</u> |
| Operating surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated | 460,186 | 460,186 |
| Other comprehensive income for the year, net of tax | <u>(160,579)</u> | <u>(160,579)</u> |
| Total comprehensive surplus for the year attributable to the members of Holstein-Friesian Association of Australia Incorporated | <u>299,607</u> | <u>299,607</u> |
| Balance at 30 June 2020 | <u>3,248,332</u> | <u>3,248,332</u> |

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

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

| | Note | 2020 \$ | 2019 \$ |
|---|----------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts from members | | 3,985,380 | 2,803,784 |
| Interest received | | 1,590 | 2,543 |
| Dividends and distributions received | | 77,050 | 95,843 |
| Payments to suppliers and employees | | (3,190,727) | (2,495,081) |
| Net GST payment to the Australian Taxation Office | | (187,798) | (120,733) |
| Net cash from / (used in) operating activities | | 685,495 | 286,356 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | 9 | (35,385) | (117,104) |
| Proceeds from financial assets | 8 | 769,981 | 317,396 |
| Payments for financial assets | 8 | (1,173,919) | (396,066) |
| Net cash (used) in investing activities | | (439,323) | (195,774) |
| Cash flows from financing activities | | | |
| Repayment of borrowings | | (32,704) | - |
| Net cash used in financing activities | | (32,704) | - |
| Net increase / (decrease) in cash and cash equivalents | | 213,468 | 90,582 |
| Cash and cash equivalents at the beginning of the financial year | | 551,580 | 460,998 |
| Cash and cash equivalents at the end of the financial year | 5 | 765,048 | 551,580 |

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

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 incorporated 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.

The following Accounting Standards and Interpretations are most relevant to the incorporated association:

Revenue from Contracts with Customers

From 1 July 2019 income is recognised in accordance with AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities (except for income that arises from sources covered by other standards). The adoption of these new accounting standards has not resulted in any impact on the comprehensive operating statement or the cash flow statement for the year.

Under AASB 15 Revenue from Contracts with Customers, revenue is recognised when there is satisfaction of a performance obligation by transferring of a promised good or service to a customer. Recognition occurs as the service is provided to the customer.

Unearned income at reporting date is reported as a deferred revenue liability. Amounts disclosed as revenue are, where applicable, net of returns, allowances and duties and taxes.

AASB 1058 Income of Not for profit Entities applies to transactions where the consideration to acquire an asset is significantly less than fair value, principally to enable a Not-for-profit entity to further its objectives. For transactions within the scope of AASB 1058 income is recognized immediately.

AASB 16 Leases

The incorporated association has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position.

Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Note 1. Significant accounting policies (continued)

Impact of adoption

AASB 15, AASB 16 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on opening retained profits as at 1 July 2019.

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is as follows:

AASB 16 Leases

| <i>Impact on profit for the period</i> | 30 June 2020 |
|--|-----------------|
| | \$ |
| Increase in depreciation of right-of-use asset | 39,642 |
| Increase in finance costs | 15,832 |
| Decrease in operating lease expenses | <u>(48,536)</u> |
| Decrease in surplus for the period | <u>6,938</u> |

On transition to AASB 16, the Company recognised \$366,688 of right-of-use assets and \$366,688 of lease liabilities, When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate of 4.5%.

| | 30 June 2019 | AASB 16 adjustments | 1 July 2019 |
|----------------------------|-----------------|------------------------|------------------|
| Right-of-use asset | \$ - | \$ 366,688 | \$ 366,688 |
| Property Lease liabilities | | <u>-(366,688)</u> | <u>(366,688)</u> |

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB'), the Australian Charities and Not-for-profits Commission Act 2012 and New South Wales legislation the Associations Incorporation Act 2009, the Charitable Fundraising Act 1991 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.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Note 1. Significant accounting policies (continued)

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 incorporated 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 incorporated 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.

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 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.

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Note 1. Significant accounting policies (continued)

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.

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% |
| Buildings Right of Use Asset | 10% |

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

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

Trade and other payables

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

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

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

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Note 1. Significant accounting policies (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

Employee benefits provision

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

Coronavirus (COVID-19) pandemic

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

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Note 3. Revenue

| | 2020 | 2019 |
|--------------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Sales | | |
| Package fees | 253,917 | 299,170 |
| Subscriptions | 134,896 | 142,317 |
| Registrations | 433,566 | 389,978 |
| Transfers | 91,675 | 76,278 |
| Export charges | 997,118 | 957,314 |
| Classification | 732,505 | 746,571 |
| Technical services | 392,318 | 311,572 |
| Other operating income | 148,440 | 111,772 |
| | <u>3,184,435</u> | <u>3,034,972</u> |
| Other Income | | |
| Projects & contract services | 84,785 | 60,207 |
| Government subsidies | 152,500 | - |
| Interest received | 1,590 | 2,543 |
| Dividend & distribution income | 77,050 | 95,843 |
| Miscellaneous | 54,854 | 70,247 |
| | <u>370,779</u> | <u>228,840</u> |
| Total Income | <u>3,555,214</u> | <u>3,263,812</u> |

Note 4. Expenses

Operating surplus before income tax includes the following specific expenses:

| | | |
|---|-----------|---------|
| Depreciation and amortisation | 140,050 | 114,263 |
| Employee benefits expenses (included within function expense classifications) | 1,119,741 | 962,905 |

Note 5. Cash and cash equivalents

| | | |
|---------------|-----------------------|-----------------------|
| Cash at bank | 199,560 | 287,353 |
| Term deposits | 565,488 | 264,227 |
| | <u>765,048</u> | <u>551,580</u> |

Note 6. Trade and other receivables

| | | |
|---|-----------------------|-----------------------|
| Current | | |
| Trade receivables | 419,693 | 701,826 |
| Provision for impairment of receivables | - | (3,652) |
| | <u>419,693</u> | <u>698,174</u> |
| Other receivables | 130,440 | 28,657 |
| | <u>550,133</u> | <u>726,831</u> |

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| Note 7. Other current assets | | |
| Current | | |
| Prepayments | 50,832 | 58,070 |
| | <u>50,832</u> | <u>58,070</u> |
| Note 8. Financial assets | | |
| Non-Current | | |
| Held for trading securities | 2,024,740 | 1,786,381 |
| | <u>2,024,740</u> | <u>1,786,381</u> |
| <u>Held for trading securities</u> | | |
| Balance at beginning of the year | 1,781,381 | 1,691,523 |
| Purchases | 1,173,919 | 396,066 |
| Disposals (Proceeds) | (769,981) | (317,396) |
| Fair value re-measurement gains/(losses) | (160,579) | 16,188 |
| Balance at end of the year | <u>2,024,740</u> | <u>1,786,381</u> |
| Note 9. Plant and equipment | | |
| Office Equipment | | |
| At cost | 7,369 | 7,369 |
| Less: Accumulated depreciation | (7,056) | (6,806) |
| | <u>313</u> | <u>563</u> |
| Computer Equipment | | |
| At cost | 87,122 | 57,134 |
| Less: Accumulated depreciation | (61,230) | (51,401) |
| | <u>25,892</u> | <u>5,733</u> |
| Furniture, Fixtures and Fittings | | |
| At cost | 174,505 | 169,108 |
| Less: Accumulated depreciation | (26,597) | (9,417) |
| | <u>147,908</u> | <u>159,691</u> |
| Motor Vehicles | | |
| At cost | 202,814 | 202,814 |
| Less: Accumulated depreciation | (201,400) | (182,236) |
| | <u>1,414</u> | <u>20,578</u> |
| Total Plant and Equipment | <u>175,527</u> | <u>186,565</u> |

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 | 563 | 5,733 | 159,691 | 20,578 | 186,565 |
| Additions | - | 29,988 | 5,397 | - | 35,385 |
| Disposals | - | - | - | - | - |
| Depreciation expense | (250) | (9,829) | (17,180) | (19,164) | (46,423) |
| Balance at end of year | 313 | 25,892 | 147,908 | 1,414 | 175,527 |

Note 10. Intangible assets

| | 2020 \$ | 2019 \$ |
|------------------------------|----------------|----------------|
| Database System and Software | 707,170 | 707,170 |
| Accumulated Amortisation | (548,366) | (494,381) |
| | 158,804 | 212,789 |

Movements in carrying amounts

| | | |
|-------------------------------|----------------|----------------|
| Balance at beginning of year | 212,789 | 269,879 |
| Amortisation | (53,985) | (57,090) |
| Balance at end of year | 158,804 | 212,789 |

Note 11. Right of use assets

| | | |
|--------------------------------------|----------------|---|
| Right of use assets – building lease | 366,688 | - |
| Accumulated depreciation | (39,642) | - |
| | 327,046 | - |

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

| | Building Lease \$ | Total \$ |
|--------------------------------|----------------------|----------------|
| Balance at 1 July 2019 | 366,688 | 366,688 |
| Depreciation expense | (39,642) | (39,642) |
| Balance at 30 June 2020 | 327,046 | 327,046 |

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Note 12. Trade and other payables

| | 2020 | 2019 |
|--------------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| Current | | |
| Trade payables | 119,006 | 221,121 |
| BAS payable | 50,327 | 73,260 |
| Sundry payables and accrued expenses | 42,484 | 74,581 |
| Member fees in advance | 7,281 | 5,007 |
| | <u>219,098</u> | <u>373,969</u> |

Note 13. Employee benefits

| | | |
|----------------------------------|-----------------------|-----------------------|
| Current | | |
| Provision for annual leave | 92,316 | 75,708 |
| Provision for long service leave | 130,244 | 99,044 |
| | <u>222,560</u> | <u>174,752</u> |
| Non-current | | |
| Provision for long service leave | <u>28,156</u> | <u>24,770</u> |

HOLSTEIN-FRIESIAN ASSOCIATION OF AUSTRALIA INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Note 14. Responsible Persons disclosure

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

Governing Board

Patrick Glass
Jenny Grey
Garry Carpenter
Phil Hall
Gino Pacitti

Note 15: Key management personnel disclosures

Compensation

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

| | 2020 \$ | 2019 \$ |
|------------------------|----------------|----------------|
| Aggregate compensation | <u>373,757</u> | <u>362,373</u> |

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 2020 and 30 June 2019.

Note 17. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and has created unprecedented economic uncertainty. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on the Association, its operations, its future results and financial position.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the incorporated association's operations, the results of those operations, or the Association's state of affairs in future financial years.

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

Opinion

We have audited the financial report of Holstein Friesian Association of Australia Inc which comprises the statement of financial position as at 30 June 2020, 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 2020, 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 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DFK Kidsons Partnership

DFK Kidsons Partnership

Robert Wernli

Robert Wernli
Partner

Melbourne
2 September 2020