

Livestock Improvement
Corporation Limited (LIC)
**Interim Financial
Statements**

For the six months ended 30 November 2023



There's always room for improvement





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Key results and position

STATEMENT OF RESULTS FOR THE PERIOD For the six months ended 30 November 2023

		SIX MONTHS ENDED		YEAR ENDED
		30 Nov 2023	30 Nov 2022	31 May 2023
<i>In thousands of New Zealand dollars</i>				
	Note	Unaudited	Unaudited	Audited
Revenue	1	171,949	177,199	276,506
Purchased materials		(20,931)	(24,219)	(46,585)
People costs		(68,619)	(67,138)	(118,995)
Depreciation and amortisation		(11,358)	(11,181)	(23,116)
Other expenses		(31,020)	(28,028)	(56,855)
Net finance costs		37	(508)	157
Bull team revaluation		-	-	4,524
Fair value change in Nil Paid Share receivable		284	233	363
Profit/(loss) before tax expense		40,342	46,358	35,999
Tax expense		(11,361)	(13,054)	(8,647)
Profit/(loss) for the period		28,981	33,304	27,352
Hedge revaluations		(152)	(446)	113
Foreign currency translation movements		(27)	-	(85)
Investment revaluations	2	9,573	1,532	1,711
Land and buildings revaluations		-	-	1,580
		9,394	1,086	3,319
Comprehensive income for the year		38,375	34,390	30,671
<i>Profit per Ordinary Share (excl. treasury stock)</i>		<i>\$0.20</i>	<i>\$0.23</i>	<i>\$0.19</i>
Supplementary non-GAAP note to the results for the period:				
Profit/(loss) for the period		28,981	33,304	27,352
Plus: Bull team revaluation		-	-	(4,524)
Tax effect on Bull team revaluation		-	-	1,267
Less: Fair value change in Nil Paid Share receivable		(284)	(233)	(363)
Underlying earnings		28,697	33,071	23,732
<i>Underlying earnings per Ordinary Share (excl. treasury stock)</i>		<i>\$0.20</i>	<i>\$0.23</i>	<i>\$0.17</i>

Key results and position

STATEMENT OF POSITION

As at 30 November 2023

		SIX MONTHS ENDED		YEAR ENDED
		30 Nov 2023	30 Nov 2022	31 May 2023
<i>In thousands of New Zealand dollars</i>				
	Note	Unaudited	Unaudited	Audited
Cash	6	38,281	45,287	54,596
Debtors		86,673	87,051	37,628
Other assets		25,932	30,554	35,892
Nil Paid Shares receivable		1,887	4,221	4,327
Bull team		97,640	93,116	97,640
Land, buildings and equipment - owned & leased	3	117,865	107,662	113,547
Software, goodwill and other intangible assets	3	42,265	37,759	38,661
Total assets		410,543	405,650	382,291
Creditors	6	27,246	35,904	23,505
Borrowings		-	-	-
Deferred tax		28,898	25,350	27,732
Other liabilities		41,853	43,183	33,560
Total liabilities		97,997	104,437	84,797
Net assets		312,546	301,213	297,494
Share capital	2	76,737	76,737	76,737
Retained earnings		190,318	176,694	170,742
Other reserves	2	45,491	47,782	50,015
Total equity		312,546	301,213	297,494

Corrigan Sowman

Date: 24 January 2024

Sophie Haslam

Date: 24 January 2024

Key results and position

STATEMENT OF CASHFLOWS FOR THE PERIOD

For the six months ended 30 November 2023

	SIX MONTHS ENDED			YEAR ENDED
		30 Nov 2023	30 Nov 2022	31 May 2023
<i>In thousands of New Zealand dollars</i>				
	Note	Unaudited	Unaudited	Audited
Customer receipts		122,701	131,313	276,609
Supplier payments		(118,112)	(114,903)	(236,542)
Tax payments		(1,656)	(2,318)	(3,983)
Other operating cash flows		436	197	707
Net operating cash flows	5	3,369	14,289	36,791
Software development		(7,647)	(3,992)	(9,611)
Net sales/(purchases) of land, buildings and equipment		(8,049)	(5,596)	(10,966)
Other investment cash flows		19,022	-	(4)
Net investment cash flows		3,326	(9,588)	(20,581)
Payment of principal portion of lease liabilities		(2,384)	(1,879)	(4,319)
Nil Paid Share payments		163	311	334
Dividends paid		(20,762)	(21,881)	(21,881)
Net financing cash flows		(22,983)	(23,449)	(25,866)
Movement in cash for the period		(16,288)	(18,748)	(9,656)
Cash at beginning of the year		54,596	64,135	64,135
Currency movement on cash holdings		(27)	(100)	117
Cash at end of the period		38,281	45,287	54,596

Key results and position

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD

For the six months ended 30 November 2023

<i>In thousands of New Zealand dollars</i>	Note	Share capital	Retained earnings	Other reserves	Total equity
Balance at 1 June 2023		76,737	170,742	50,015	297,494
Profit/(loss) for the period		-	28,981	-	28,981
Dividends paid		-	(23,323)	-	(23,323)
Hedge revaluations		-	-	(152)	(152)
Foreign currency translation movements		-	-	(27)	(27)
Investment revaluations	2	-	-	9,573	9,573
Reclassification of investment revaluations on divestment	2	-	13,918	(13,918)	-
Balance at 30 November 2023 (Unaudited)		76,737	190,318	45,491	312,546
Balance at 1 June 2022		76,737	169,624	46,696	293,057
Profit/(loss) for the period		-	33,304	-	33,304
Dividends paid		-	(26,234)	-	(26,234)
Hedge revaluations		-	-	(446)	(446)
Investment revaluations		-	-	1,532	1,532
Balance at 30 November 2022 (Unaudited)		76,737	176,694	47,782	301,213
Restated balance at 1 June 2022		76,737	169,624	46,696	293,057
Profit/(loss) for the year		-	27,352	-	27,352
Dividends paid		-	(26,234)	-	(26,234)
Hedge revaluations		-	-	113	113
Foreign currency translation movements		-	-	(85)	(85)
Investment revaluations		-	-	1,711	1,711
Land and buildings revaluations		-	-	1,580	1,580
Balance at 31 May 2023 (Audited)		76,737	170,742	50,015	297,494

Accounting policies

Accounting entity

These financial statements set out the performance, position and cash flows of Livestock Improvement Corporation Limited ("LIC" or the "Company") and its subsidiaries (the "Group") for the six months ended 30 November 2023.

LIC is domiciled in New Zealand, registered under the Companies Act 1993 and the Co-operative Companies Act 1996, and listed on the Main Board of the New Zealand Stock

Exchange Limited ("NZX"). LIC is an FMC Reporting Entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

These financial statements should be read in conjunction with the annual report for the year ended 31 May 2023.

Basis of Preparation

i. Statement of compliance

These financial statements comply with NZ GAAP as appropriate for Tier 1, for-profit entities, NZIFRS and IFRS.

ii. Basis of measurement

The financial statements have been prepared on a GST exclusive basis, with the exception of trade receivables and trade payables, which are reported inclusive of GST.

The majority of the Group's business does not follow a clearly identifiable operating cycle, therefore the balance sheet is presented in order of liquidity as it is more relevant to the users of the financial statements.

iii. Functional and presentation currency

The functional currency of the Company and the presentation currency of the financial statements is New Zealand Dollars ("NZD"), with amounts rounded to the nearest thousand.

iv. Use of estimates and judgements

The key estimations and judgements made in preparing these financial statements are the valuation of the Bull team and the impairment testing of software and other intangible assets.

v. New or amended standards adopted in current year and standards issued but not yet effective

Accounting policies have been applied consistently with prior periods.

vi. Climate risk

Climate change and how farmer shareholders, regulators and others respond may have significant impacts on the Group's future revenue and the recognised amounts of assets and liabilities. While the effects of climate change are a continuing source of uncertainty, climate-related risks have been assessed as not having a material impact on these financial statements. Reviews of accounting estimates, judgements and impairment testing assumptions have considered potential future impacts of climate change.

Notes to the Financial Statements

1. Business analysis

The Group operates in four key operating segments as set out below, and across four key geographies. Figures in the following tables reflect information regularly reported to the Chief Executive on those key operating segments:

- NZ market genetics: provides bovine genetic breeding material and related services, predominately to dairy farmers.
- Herd testing: milk sample analysis for dairy farmers.
- Farm software: data recording, tags and farm management information services.
- Diagnostics: provides DNA and animal health testing services.

NZ Market Genetics revenue is primarily recognised at a point in time, upon delivery of product to the customer. All other revenue lines are primarily recognised over time, as the service to the customer is provided.

In thousands of New Zealand dollars

SIX MONTHS ENDED 30 NOV 2023 (Unaudited)	NZ market genetics	Herd testing	Farm software	Diagnostics	Other	Eliminations	Total
External revenue	99,406	15,287	27,085	14,811	15,360	-	171,949
Inter-segment revenue	-	-	-	-	1,525	(1,525)	-
Total revenue	99,406	15,287	27,085	14,811	16,885	(1,525)	171,949
Depreciation & amortisation	(945)	(2,858)	(591)	(1,753)	(5,211)	-	(11,358)
Segment gross profit before tax	64,985	7,080	20,896	6,424	10,077	-	109,462
Bull team revaluation							-
Unallocated amounts							(69,120)
Profit/(loss) before tax expense							40,342

SIX MONTHS ENDED 30 NOV 2022 (Unaudited)	NZ market genetics	Herd testing	Farm software	Diagnostics	Other	Eliminations	Total
External revenue	102,947	15,738	26,191	12,983	19,340	-	177,199
Inter-segment revenue	-	-	-	-	1,723	(1,723)	-
Total revenue	102,947	15,738	26,191	12,983	21,063	(1,723)	177,199
Depreciation & amortisation	(706)	(2,726)	(708)	(1,734)	(5,307)	-	(11,181)
Segment gross profit before tax	68,527	6,706	19,530	5,591	11,960	-	112,314
Bull team revaluation							-
Unallocated amounts							(65,956)
Profit/(loss) before tax expense							46,358

Notes to the Financial Statements

1. Business analysis (cont.)

In thousands of New Zealand dollars

YEAR ENDED 31 MAY 2023 (Audited)	NZ market genetics	Herd testing	Farm software	Diagnostics	Other	Eliminations	Total
External revenue	113,467	39,472	53,249	29,067	41,251	-	276,506
Inter-segment revenue	-	-	-	-	5,706	(5,706)	-
Total revenue	113,467	39,472	53,249	29,067	46,957	(5,706)	276,506
Depreciation & amortisation	(1,540)	(5,835)	(1,293)	(3,528)	(10,920)	-	(23,116)
Segment gross profit before tax	72,815	20,633	40,043	13,208	16,578	-	163,277
Bull team revaluation							4,524
Unallocated amounts							(131,802)
Profit/(loss) before tax expense							35,999

The Other segment includes international operations, research & development and support services. Unallocated amounts include personnel costs, other expenses and net finance costs and are unallocated because the effort and cost involved to accurately allocate these amounts to individual business segments would outweigh the benefit.

LIC's business, particularly the Parent's artificial breeding business, is highly seasonal. November results, since they incorporate the majority of the artificial breeding revenues but not a similar proportion of total costs, are not indicative of the second half result nor, therefore, the full year result.

Notes to the Financial Statements

2. Equity

All Ordinary Shares have voting rights and the right to receive dividends based on the profits of the Company.

At reporting date there were 142,344,836 Ordinary Shares on issue, excluding 5,337,584 shares held as treasury stock (2022: 142,344,836 Ordinary Shares, excluding 5,337,584 shares held as treasury stock).

Other reserves and equity

<i>In thousands of New Zealand dollars</i>	Hedge revaluation reserve	Investment revaluation reserve	Land & building revaluation reserve	Foreign currency translation reserve	Other Reserves
Balance at 1 June 2023	171	6,569	43,360	(85)	50,015
Profit/(loss) for the period	-	-	-	-	-
Dividends paid	-	-	-	-	-
Revaluations*	(152)	9,573	-	(27)	9,394
Reclassification of investment revaluations on divestment*	-	(13,918)	-	-	(13,918)
Balance at 30 November 2023 (Unaudited)	19	2,224	43,360	(112)	45,491
Balance at 1 June 2022	58	4,858	41,780	-	46,696
Profit/(loss) for the period	-	-	-	-	-
Dividends paid	-	-	-	-	-
Revaluations	(446)	1,532	-	-	1,086
Balance at 30 November 2022 (Unaudited)	(388)	6,390	41,780	-	47,782
Balance at 1 June 2022	58	4,858	41,780	-	46,696
Profit/(loss) for the year	-	-	-	-	-
Dividends paid	-	-	-	-	-
Revaluations	113	1,711	1,580	(85)	3,319
Balance at 31 May 2023 (Audited)	171	6,569	43,360	(85)	50,015

*During the period, LIC sold its shareholding in National Milk Records Plc for £9.019 million (NZD \$18.963 million). Associated accumulated revaluations have been reclassified from Other reserves to Retained earnings on divestment.

Notes to the Financial Statements

3. Acquisitions and disposals

<i>In thousands of New Zealand dollars</i>	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2023	30 Nov 2022	31 May 2023
	Unaudited	Unaudited	Audited
(i) Land, buildings and equipment			
Acquisitions *	8,345	6,318	12,093
Disposals	(78)	(237)	(1,087)
(ii) Software and other intangible assets			
Acquisitions	7,656	4,064	9,646
Disposals/Impairment	-	-	-

*Excludes the impact of NZ IFRS 16: Leases, which increased Land, buildings and equipment by \$3.608 million in 2023 (November 2022: \$1.968 million, May 2023: \$7.714 million).

4. Transactions with Related Parties, Directors and Management

The Group has had the following short term transactions with key Management and Directors during the period, noting sale of goods and services were on normal trade terms:

<i>In thousands of New Zealand dollars</i>	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2023	30 Nov 2022	31 May 2023
	Unaudited	Unaudited	Audited
Remuneration of key Management and Directors	2,745	1,788	4,197
Sale of goods and services to key Management and Directors	329	404	597
Purchases of goods and services from key Management and Directors	3	75	166

5. Reconciliation of the Profit/(loss) for the period to Net operating cash flows

<i>In thousands of New Zealand dollars</i>	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2023	30 Nov 2022	31 May 2023
	Unaudited	Unaudited	Audited
Profit for the period	28,981	33,304	27,352
Adjusted for non-cash items:			
Depreciation and amortisation on all assets	11,358	11,181	23,116
Bull team revaluation	-	-	(4,524)
Deferred tax expense	1,166	(912)	804
Working capital movements and other non-cash items	(38,136)	(29,284)	(9,957)
Net operating cash flows	3,369	14,289	36,791

Notes to the Financial Statements

6. Audit

In accordance with the Financial Reporting Act 2013 these interim financial statements are not required to be audited and therefore, in line with previous years, have not been audited.

7. Dividend

In relation to the 2023 financial year LIC declared a dividend of 16.38 cents per Ordinary Share, or \$23.323 million (2022: 18.43 cents per Ordinary Share, or \$26.234 million). The fully imputed dividend was paid on 18 August 2023.

8. Subsequent Events

On 24 January 2024, LIC declared a special dividend of 13.00 cents per Ordinary Share, or \$18.505 million, as a result of the sale of the organisation's investment in National Milk Records Plc (refer to note 2). The fully imputed dividend will be paid on 23 February 2024.

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