

Livestock Improvement Corporation Limited (LIC) **Annual Report**

For the year ended 31 May 2024



There's always room for improvement





Contents

Key metrics	4
Directors' report	5
Key results and position	7
Our results for the year	7
Our position at year end	8
Our cash flows for the year	9
Changes in our position for the year	10
More details	11
Accounting policies	11
Business analysis	12
Our core assets	13
Our funding	17
Risk and Other Assets	18
Tax	19
Other Expenses and Other Liabilities	20
Transactions with Related Parties, Cash flow reconciliation and Subsequent events	21
Independent auditor's report	22
Corporate Governance Report	26



Key Metrics

 <p>71.7% Net Profit After Tax (NPAT)</p> <hr/> <p>\$7.7m vs \$27.4m last year</p>	 <p>3.3% Total revenue</p> <hr/> <p>\$267.3m vs \$276.5m last year</p>	 <p>41.6% Underlying Earnings*</p> <hr/> <p>\$13.9m vs \$23.7m last year</p>	 <p>6.2% Total assets</p> <hr/> <p>\$358.6m vs \$382.3m last year</p>
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 <p>Full year dividend</p> <hr/> <p>Final \$8.3m - 5.84 cents per share and Special \$18.5m - 13 cents per share vs \$23.3m - 16.38 cents last year</p>	 <p>Return on equity</p> <hr/> <p>2.8% vs 9.2% last year</p>	 <p>Earnings per share</p> <hr/> <p>NPAT 5 cents and Underlying Earnings* 10 cents vs NPAT 19 cents and Underlying Earnings* 17 cents last year</p>	 <p>R&D, IT & capital investment</p> <hr/> <p>\$48.9m up 24.8% (excluding sale of National Milk Records plc shares) from \$39.2m last year</p>
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*Non-GAAP financial information



Directors' Report 2023 -24

LIC ends the year with lower profit following challenging conditions

The LIC Board announces its financial result for the 2023-24 financial year, ending the year with no debt and a modest profit and dividend for shareholders while continuing to invest in innovations for shareholders.

The Board has declared a dividend of 5.84 cents per share, returning \$8.3 million to owners of the co-operative. The dividend will be paid on 16 August 2024.

Summary of financials

- Total Revenue: \$267.3 million, down 3.3% from \$276.5 million last year.
- Net Profit After Tax (NPAT): \$7.7 million, down 71.7% from \$27.4 million last year.
- Underlying Earnings: \$13.9 million, down 41.6% from \$23.7 million last year.
- Dividend: \$8.3 million – 5.84 cents per share, representing 60% of Underlying Earnings. This is in addition to the \$18.5 million Special Dividend paid earlier this year of 13 cents per share.
- Total assets: \$358.6 million, down 6.2% from \$382.3 million last year.
- Strong balance sheet with no debt at year-end.

The Board notes that the 2023-24 financial year has produced some difficult conditions for the co-operative with a reduced milk price environment, a subsequent reduction in activity driving a lower bull valuation, ongoing cost inflation, tax changes, and a semen quality issue that resulted in over \$2 million worth of credits paid to farmers (\$1.4 million impact on NPAT and Underlying Earnings).

However, despite some very challenging conditions, the Board is pleased to present a positive result to our farmer shareholders, for the seventh successive year.

Farmer shareholders are the heart of our co-operative and it has been a particularly difficult year for them with a lower milk price environment alongside continuing high input and debt servicing costs. The impacts of the lower milk price were felt across New Zealand and are reflected in the 3.3% reduction in revenue.

LIC is committed to our farmer shareholders and we have continued to invest in research and development, quality improvements in our semen laboratories and technology innovation that will benefit their businesses and the sector's needs now and into the future.

Throughout the 2023-24 financial year the organisation has identified cost savings to offset reduced revenue and this has allowed the co-op to still post a profit and pay out a dividend to its shareholders, which is in addition to the \$18.5m Special Dividend paid earlier this year of 13 cents per share.

Tax legislation enacted in March 2024 removed the ability to depreciate commercial buildings for tax purposes from the 2024-25 income tax year. The application of this tax change created a one-off, non-cash accounting adjustment to tax expense at year end of approximately \$4 million, with a corresponding increase in LIC's deferred tax liability balance.

Research and development investments increased by 14.2% to \$21.2 million, representing 7.9% of revenue. Investments include a methane research trial focused on investigating the potential to breed low methane-emitting cows in the future, as well as a heat tolerance research programme which involves breeding high genetic merit dairy cows with improved heat tolerance.

The proportion of fresh semen straws used for breeding replacement daughters on farm from the premium bull teams increased to 79.4% and target turnaround times were achieved across GeneMark®, Johne's Disease, and milk pregnancy testing. Johne's Disease testing saw a 10% increase, with 1.28 million samples tested during 2023-24.

LIC's herd management system MINDA® saw notable improvements during the period, integrating with milk processors such as Fonterra and Open Country as well as integrations with wearable providers and OSPRI. This enables seamless data-sharing and integration across multiple applications used on farm. MINDA® is now used by 90% of dairy farmers in New Zealand.

Outlook

The coming year still presents a difficult economic environment with ongoing cost pressures on farm, however LIC will continue to be firmly guided by its primary focus of delivering on our three commitments to farmer shareholders - operational excellence, faster genetic improvement and software reliability and performance. The co-operative's performance against these commitments during the 2023-24 year will be reported on at its Annual Meeting in September.

The co-op expects underlying earnings for 2024-25 to be in the range of \$16-22 million, assuming no significant events, including climate events, or milk price change takes place between now and then.



Key Results and Position

STATEMENT OF RESULTS FOR THE YEAR For the year ended 31 May 2024

<i>In thousands of New Zealand dollars</i>	Note	2024	2023
Revenue	1	267,288	276,506
Purchased materials		(41,255)	(46,585)
People costs		(119,758)	(118,995)
Depreciation and amortisation	3,4,5	(24,047)	(23,116)
Other expenses	10	(60,516)	(56,855)
Net finance costs		647	157
Bull team revaluation	2	(8,768)	4,524
Fair value change in Nil Paid Share receivable	6	191	363
Profit/(loss) before tax expense		13,782	35,999
Tax expense	9	(6,048)	(8,647)
Profit/(loss) for the year		7,734	27,352
<i>Profit per Ordinary Share (excl. treasury stock)</i>		<i>\$0.05</i>	<i>\$0.19</i>
Hedge revaluations	6	(251)	113
Foreign currency translation movements	6	25	(85)
Investment revaluations	6	8,805	1,711
Land and buildings revaluations	3,6	3,715	2,246
Tax effect of buildings revaluations	9	(784)	(666)
		11,510	3,319
Comprehensive income for the year		19,244	30,671
Supplementary non-GAAP note to the results for the year:			
Profit/(loss) for the year		7,734	27,352
Plus/(less): Bull team revaluation		8,768	(4,524)
Tax effect on Bull team revaluation		(2,455)	1,267
Less: Fair value change in Nil Paid Share receivable		(191)	(363)
Underlying earnings		13,856	23,732
<i>Underlying earnings per Ordinary Share (excl. treasury stock)</i>		<i>\$0.10</i>	<i>\$0.17</i>

Key results and position

STATEMENT OF POSITION FOR THE YEAR

As at 31 May 2024

<i>In thousands of New Zealand dollars</i>	Note	2024	2023
Cash		42,341	54,596
Debtors	8	34,952	37,628
Other assets	8	26,557	35,892
Nil Paid Shares receivable	6	972	4,327
Bull team	2	88,872	97,640
Land, buildings and equipment - owned & leased	3,5	118,997	113,547
Software, goodwill and other intangible assets	4	45,917	38,661
Total assets		358,608	382,291
Creditors	7	23,831	23,505
Borrowings	7	-	-
Deferred tax	9	30,645	27,732
Other liabilities	11	29,221	33,560
Total liabilities		83,697	84,797
Net assets		274,911	297,494
Share capital	6	76,737	76,737
Retained earnings	6	150,567	170,742
Other reserves	6	47,607	50,015
Total equity		274,911	297,494


Director

Date: 18 July 2024


Director

Date: 18 July 2024

Key results and position

STATEMENT OF CASH FLOWS FOR THE YEAR

For the year ended 31 May 2024

<i>In thousands of New Zealand dollars</i>	Note	2024	2023
Customer receipts		264,919	276,609
Supplier payments		(223,940)	(236,542)
Net tax payments		(2,189)	(3,983)
Other operating cash flows		1,262	707
Net operating cash flows	13	40,052	36,791
Software development		(16,097)	(9,611)
Net sales/(purchases) of land, buildings and equipment		(11,570)	(10,966)
Sale / (purchase) of investments	8	19,030	(4)
Net investment cash flows		(8,637)	(20,581)
Payment of principal portion of lease liabilities		(5,408)	(4,319)
Drawdown/(repayment) of borrowings		-	-
Nil Paid Share receipts		165	334
Dividends paid		(38,446)	(21,881)
Net financing cash flows		(43,689)	(25,866)
Movement in cash for year		(12,274)	(9,656)
Cash at beginning of the year		54,596	64,135
Currency movement on cash holdings		19	117
Cash at end of the year		42,341	54,596

Key results and position

STATEMENT OF CHANGES IN POSITION FOR THE YEAR

For the year ended 31 May 2024

<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 year		-	7,734	-	7,734
Dividends paid		-	(41,827)	-	(41,827)
Hedge revaluations		-	-	(251)	(251)
Foreign currency translation movements		-	-	25	25
Investment revaluations		-	-	8,805	8,805
Land and buildings revaluations	3,6	-	-	2,931	2,931
Reclassification of investment revaluations on divestment	6	-	13,918	(13,918)	-
Balance at 31 May 2024		76,737	150,567	47,607	274,911
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	3,6	-	-	1,580	1,580
Balance at 31 May 2023		76,737	170,742	50,015	297,494



More Details

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 year ended 31 May 2024.

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 NZX Ltd. LIC is an FMC Reporting Entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

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 an impact 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 (including the valuation of the bull team in Note 2, and the valuation of land and buildings in Note 3), judgements and impairment testing assumptions (refer to note 4) have considered potential future impacts of climate change.

Notes to the Financial Statements

1. Business analysis

(i) Operating segments

The Group operates in four key operating segments and across four key geographies as set out below. 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: herd testing, animal recording and on-farm support 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

2024	NZ market genetics	Herd testing	Farm software	Diagnostics	Other	Eliminations	Total
External revenue	110,689	39,831	54,187	29,314	33,267	-	276,288
Inter-segment revenue	-	-	-	-	7,830	(7,830)	-
Total revenue	110,689	39,831	54,187	29,314	41,097	(7,830)	276,288
Depreciation & amortisation	(1,922)	(5,790)	(1,336)	(3,548)	(11,451)	-	(24,047)
Segment gross profit before tax	70,686	19,877	41,422	13,193	11,164	-	156,342
Bull team revaluation							(8,768)
Unallocated amounts							(133,792)
Profit/(loss) before tax expense							13,782

2023	NZ market genetics	Herd testing*	Farm software*	Diagnostics	Other*	Eliminations	Total
External revenue	113,467	40,009	52,622	29,067	41,251	-	276,506
Inter-segment revenue	-	-	-	-	5,706	(5,706)	-
Total revenue	113,467	40,009	52,622	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	20,575	39,416	13,208	17,263	-	163,277
Bull team revaluation							4,524
Unallocated amounts							(131,802)
Profit/(loss) before tax expense							35,999

**During the current year an internal reorganisation transferred on-farm support between operating segments, 2023 numbers have been restated to present comparatives on a consistent basis.*

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.

Notes to the Financial Statements

1. Business analysis (cont.)

(ii) Geographic analysis

In thousands of New Zealand dollars

2024	New Zealand	Australia	Ireland	UK	Other	Total
Revenues	248,420	8,999	3,545	2,337	3,987	267,288
Non-current assets	254,087	4,397	1,157	59	-	259,700
2023						
Revenues	254,001	10,186	3,605	2,724	5,990	276,506
Non-current assets	253,959	4,756	1,060	9,425	-	269,200

Non-current assets includes the Bull team, Land, buildings & equipment, Software, goodwill and other intangible assets, Nil Paid Share receivable and investments. During the period, LIC's United Kingdom subsidiary sold its shareholding in National Milk Records Plc, which significantly reduced Non-current assets for the United Kingdom region.

The Group's significant subsidiaries are:

- **New Zealand:** LIC Agritechnology Company Limited (100%)
- **Australia:** Livestock Improvement Pty Ltd (100%), Beacon Automation Pty Ltd (100%)
- **Ireland:** LIC Ireland Limited (100%)
- **United Kingdom:** Livestock Improvement Corporation (UK) Ltd (100%)

The Group is not dependent on any one major customer in any of its reportable segments. New Zealand revenues include government grants and R&D tax incentive income of \$8.179 million (2023: \$8.477 million).

2. Bull Team

The bull team is the cornerstone asset of LIC's genetics business. The 810 total bulls (2023: 915 bulls) from which the bull team are selected are carried at their fair value, which is based on LIC's modelling of future cash flows from the bulls (a "Level 3 valuation"). Changes in their fair value are reported in profit/(loss) for the year. The fair value from the bulls is partly dependent on the future sales mix of LIC's genetics products, which is historically strongly correlated to the Farmgate Milk Price paid by Fonterra Co-operative Group. The valuation is also sensitive to a change in the WACC rate used to discount future cash flows and the run-off profile of bulls (revenue attributable) that make up the bull team.

In thousands of New Zealand dollars	2024	2023
Opening balance	97,640	93,116
Bull team revaluation	(8,768)	4,524
Closing balance	88,872	97,640

Key drivers of the model:

Forecasted Fonterra Farmgate Milk Price*	\$8.25 - \$8.85	\$8.25 - \$9.00
WACC annualised post tax rate	8.11% - 8.76%	7.75% - 8.78%
Number of bulls in the team	124	128
Average % of run-off profile (years 2-5)	42%	43%

*This is the long term to short term Milk Price outlook.

The impact on the fair value of a change to these key drivers is summarised below:

Genomic run-off profile	\$5.6m - average of 5% shift across years 2-5	
Impact on demand incorporating effect of changing the 2024 forecast Farmgate Milk Price \$2.75 decrease in the long term (2023: Impact on demand incorporating effect of reducing the 2023 forecast Farmgate Milk Price by \$2.00 in the long term)	\$14.1m	\$17.9m
WACC moves 100 basis points	\$2.5m	\$2.9m

Notes to the Financial Statements

3. Land, buildings and equipment

Land and buildings are carried at fair value, determined by an independent valuer as at April 2024. Fair value is based on comparable sales for land and based on depreciated replacement cost for buildings. Revaluations are reflected in the revaluation reserve. Equipment includes plant, vehicles, furniture and fittings and IT hardware, and is carried at depreciated cost. Buildings and equipment are depreciated on a straight-line basis over their estimated useful lives, and are reviewed annually for any indications of impairment.

In thousands of New Zealand dollars	2024				2023			
	Land	Buildings	Equipment	Total	Land	Buildings	Equipment	Total
Opening balance	37,990	51,500	24,057	113,547	38,092	45,901	22,433	106,426
Additions	-	4,852	7,331	12,183	35	4,484	7,574	12,093
Disposals	-	-	(126)	(126)	-	(663)	(424)	(1,087)
Depreciation	-	(3,048)	(6,906)	(9,954)	-	(2,503)	(6,733)	(9,236)
Revaluation	743	2,650	-	3,393	(137)	2,460	-	2,323
Foreign exchange	-	-	(2)	(2)	-	(3)	(25)	(28)
Leased assets movement - note 5	-	(253)	209	(44)	-	1,824	1,232	3,056
Closing balance	38,733	55,701	24,563	118,997	37,990	51,500	24,057	113,547
Value if carried at cost	11,726	23,135	N/A		11,726	21,331	N/A	
Estimated useful lives	N/A	10-60 years	3-10 years		N/A	10-60 years	3-10 years	

4. Software and other intangibles

(i) Software and other intangible asset balances

Software development expenditure is capitalised only where costs are directly attributable, and once the product or process is commercially feasible, the benefits are probable, and the Group intends to sell or use the completed software.

Software assets are amortised over their useful lives of up to seven years on a straight line basis, and are reviewed annually for indicators of impairment.

Intellectual property (IP) assets are amortised over their estimated useful lives of up to 13 years.

The genetic data in the LIC database increases with each successive generation. Both goodwill and the LIC database have indefinite useful lives. They are recognised at cost and are not amortised, are allocated to a cash generating unit ("CGU") and tested for impairment annually.

In thousands of New Zealand dollars	2024				2023			
	Software & IP	Goodwill	Database	Total	Software & IP	Goodwill	Database	Total
Opening balance	25,798	2,363	10,500	38,661	25,760	2,348	10,500	38,608
Additions	16,081	-	-	16,081	9,646	-	-	9,646
Disposals/impairment	-	-	-	-	-	-	-	-
Amortisation	(8,842)	-	-	(8,842)	(9,557)	-	-	(9,557)
Foreign exchange	9	8	-	17	(51)	15	-	(36)
Closing balance	33,046	2,371	10,500	45,917	25,798	2,363	10,500	38,661

Notes to the Financial Statements

4. Software and other intangibles (cont.)

At reporting date, software includes \$11.595 million (2023: \$8.994 million) of work in progress, which is not being amortised until it is ready for use.

(ii) Impairment testing of intangible assets

Allocation of Goodwill and the LIC Database to CGUs:

<i>In thousands of New Zealand dollars</i>	2024			2023		
	NZ Market Genetics, Farm software and herd testing CGU	Other CGU	Total	NZ Market Genetics, Farm software and herd testing CGU	Other CGU	Total
LIC database	10,500	-	10,500	10,500	-	10,500
Goodwill	-	2,371	2,371	-	2,363	2,363
	10,500	2,371	12,871	10,500	2,363	12,863

The LIC database and Other CGU Goodwill recoverable amounts have been determined using value in use.

For the LIC database and Other CGU Goodwill, a discounted cash flow model is used for impairment testing based on expected results and capital expenditure from the current year forecast, Board approved budgets and a projection for further periods using a terminal growth rate. A five year cash flow projection period is used. The terminal growth rate used is 1.5% (2023: 1.0-2.0%) for the LIC database and Other CGU Goodwill. The discount rate applied is reviewed and updated annually for movements in published Treasury risk-free rates and is 8.7-10.9% for the LIC database and Other CGU Goodwill (2023: 8.3-10.4% for the LIC database and Other CGU Goodwill).

5. Leases

(i) LIC as a lessee

The Group has lease contracts for buildings, equipment and vehicles used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Several lease contracts include extension and termination options. The Group's discount or incremental borrowing rate applicable to leases is 5.1% (2023: 4.9%).

The Group also has certain leases of machinery with lease terms of 12-months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Notes to the Financial Statements

5. Leases (cont.)

(ii) Lease balances in the Statement of Position

Right of use assets

Set out below are the carrying amounts of right-of-use assets recognised (under Land, buildings and equipment) and the movements during the period:

In thousands of New Zealand dollars	2024				2023			
	Buildings	Equipment	Vehicles	Total	Buildings	Equipment	Vehicles	Total
Opening Balance	12,652	180	7,323	20,155	10,829	273	5,997	17,099
Depreciation	(1,471)	(142)	(3,638)	(5,251)	(1,402)	(96)	(2,825)	(4,323)
Additions	1,420	347	3,871	5,638	3,322	3	4,389	7,714
Disposals/modifications	(202)	-	(229)	(431)	(97)	-	(238)	(335)
Closing balance	12,399	385	7,327	20,111	12,652	180	7,323	20,155
Lease terms	2-28 years	2-5 years	2-8 years		2-28 years	2-5 years	2-7 years	

Lease liabilities

Set out below are the carrying amounts of lease liabilities recognised at 31 May (included in Other liabilities):

In thousands of New Zealand dollars	2024				2023			
	Buildings	Equipment	Vehicles	Total	Buildings	Equipment	Vehicles	Total
Within 1 year	1,341	72	3,549	4,962	1,208	23	3,013	4,244
Between 1 to 5 years	4,612	161	4,301	9,074	4,466	-	4,754	9,220
More than 5 years	7,662	-	-	7,662	8,004	-	-	8,004
Closing balance	13,615	233	7,850	21,698	13,678	23	7,767	21,468

(iii) Lease related amounts in the Statement of Results

In thousands of New Zealand dollars	2024				2023			
	Buildings	Equipment	Vehicles	Total	Buildings	Equipment	Vehicles	Total
Depreciation	1,471	142	3,638	5,251	1,402	96	2,825	4,323
Interest expense	621	17	479	1,117	478	4	370	852
Variable lease payments	-	-	980	980	-	-	1,123	1,123
Short-term and low-value leases	-	1	-	1	-	9	-	9
Total amount	2,092	160	5,097	7,349	1,880	109	4,318	6,307

The Group had total non-variable cash outflows for leases of \$6.086 million in 2024 (\$4.868 million in 2023).

Notes to the Financial Statements

6. Funding

The Group's funding comes from Share Capital, Retained earnings, Other reserves and Borrowings.

(i) Ordinary Shares

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 (2023: 142,344,836 Ordinary Shares, excluding 5,337,584 shares held as treasury stock).

(ii) Nil Paid Shares

Ordinary Shares includes both fully paid shares and shares on which full payment has not yet been made. These Nil Paid Shares must be paid up over time by Shareholders via a combination of dividend payments forgone, voluntary payments and payments made on exit as a Shareholder. At year-end the outstanding amount on Nil Paid Shares has been recorded in the Statement of Position as a receivable, valued at \$0.972 million (2023: \$4.327 million) using a discounted cash flow model. The model uses assumptions on expected future dividends, voluntary and compulsory payments and applies a discount rate of 8.6% (2023: 8.0%).

(iii) 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
Revaluations	(251)	8,805	2,931	25	11,510
Reclassification of investment revaluations on divestment*	-	(13,918)	-	-	(13,918)
Balance at 31 May 2024	(80)	1,456	46,291	(60)	47,607
Balance at 1 June 2022	58	4,858	41,780	-	46,696
Revaluations	113	1,711	1,580	(85)	3,319
Balance at 31 May 2023	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.

(iv) Market capitalisation

As at 31 May 2024, the Group's market capitalisation of \$172.365 million was below the carrying value of net assets of \$274.911 million. The share price is not considered an accurate reflection of the fair value of the Group's net assets for a number of reasons, including the nature of the co-operative and its restricted capital structure. Accounting standards consider market capitalisation below net assets to be an indicator of possible impairment and an impairment test has therefore been performed. The Group recoverable amount has been determined using a value in use method similar to the impairment tests in Note 4. A discounted cash flow model has been used based on Board approved budgets and a projection covering five years using a terminal growth rate of 1.5%. The discount rate applied is reviewed and updated annually for movements in published Treasury risk-free rates and is 8.7%. The calculated recoverable amount of the group was higher than the carrying value of the net assets, and therefore no impairment was recognised.

(v) Bank debt

Bank loans for seasonal funding requirements are secured by a Negative Pledge granted to Westpac and Rabobank over certain New Zealand-based subsidiaries.

Notes to the Financial Statements

7. Liquidity and interest rate risk

(i) Liquidity risk

Liquidity risk is the risk of having insufficient liquid assets to pay the Group's debts as they fall due. The Group manages the risk by monitoring forecast cash flows and holding sufficient bank facilities to meet the Group's needs. The contractual maturity of the Group's funding is shown below.

	2024				2023			
	Demand to 6 months	6 months to 1 year	1 year plus	Total	Demand to 6 months	6 months to 1 year	1 year plus	Total
Borrowings	-	-	-	-	-	-	-	-
Creditors	23,831	-	-	23,831	23,505	-	-	23,505
	23,831	-	-	23,831	23,505	-	-	23,505

The Group has bank funding facilities in place until February 2025 and expects to be able to meet any obligations which fall due.

(ii) Interest rate risk

Interest rate risk is the risk that changes in interest rates will impact the Group's results or position. The weighted average effective interest rate paid on borrowings in 2024 was 7.3% (2023: 5.3%). A 1.0% increase in interest rates would increase interest paid and reduce profit after tax by approximately \$0.001 million (2023: \$0.003 million).

8. Debtors and other assets

(i) Debtors

Bad debts of \$0.020 million have been expensed during the year (2023: \$0.007 million), and 87.8% of trade receivables are not past due (2023: 90.3%).

(ii) Other assets

	2024	2023
Inventories	20,808	19,923
Investments	4,941	15,027
Derivatives used for hedging	-	164
Other livestock	808	778
	26,557	35,892

Inventories utilised and expensed during the period amounted to \$29.176 million (2023: \$33.113 million). Inventories written off in 2024 totalled \$0.095 million (2023: \$0.038 million).

Investments are non-current assets and are held at fair values based on available share prices and other market information. Gains and losses are recognised in other comprehensive income, as investments are not held for trading. Investments include Figured Limited \$3.358 million (2023: \$4.207 million) and, in 2023, National Milk Records PLC which was sold during the period (2023: \$9.319 million).

Notes to the Financial Statements

9. Tax

Tax expense is recognised for items arising this year that are either taxable this year (current tax) or in other years (deferred tax). The main items giving rise to deferred tax are revaluations of the Bull team and Buildings.

(i) Tax expense

<i>In thousands of New Zealand dollars</i>	2024	2023
Profit/(loss) for the year	7,734	27,352
Tax expense	6,048	8,647
Profit/(loss) before tax expense	13,782	35,999
Tax at 28% NZ company tax rate	3,859	10,080
Effect of overseas income	(34)	(683)
Non-deductible items	(521)	(774)
Adjustments from prior periods	(899)	24
Impact of changes to building depreciation	3,643	-
Tax expense	6,048	8,647
Current tax expense	3,919	7,843
Deferred tax expense	2,129	804
Imputation credits available	9,468	19,006

In March 2024, legislation was enacted which removed the deductibility of depreciation on long-life commercial buildings for tax purposes. At 31 May 2024, the impact of this change decreases the tax base for these assets, giving rise to an increased temporary difference between the carrying cost and tax base and results in a one-off, non-cash, increase in both deferred tax liability and tax expense of \$3.643 million.

Given the Group's current turnover, and the lack of significant operations in foreign jurisdictions with tax rates below 15%, it does not expect to be impacted by Pillar II tax reforms and the move towards global minimum tax rates of 15%.

LIC claims credits under the R&D Tax Incentive scheme. Claims include eligible core research expenditure and technology development, as well as expenses that support R&D, and the credits are recorded as non-taxable revenue.

(ii) Deferred tax liability

<i>In thousands of New Zealand dollars</i>	As at 31 May 2024	Through Profit/(loss)	Through Other reserves	As at 31 May 2023	Through Profit/(loss)	Through Other reserves	As at 31 May 2022
Bull team & livestock	24,421	(2,414)	-	26,835	1,168	-	25,667
Buildings & equipment	5,850	3,304	784	1,762	(212)	666	1,308
Intangible assets	2,940	1,480	-	1,460	-	-	1,460
Other	(2,566)	(241)	-	(2,325)	(152)	-	(2,173)
Total	30,645	2,129	784	27,732	804	666	26,262

Notes to the Financial Statements

10. Other expenses

Other expenses includes the following amounts paid to the Group's auditors, KPMG:

<i>In thousands of New Zealand dollars</i>	2024	2023
Audit of the financial statements	222	210
Tax - compliance services for R&D Tax Incentive scheme	-	17
Agreed upon procedures*	24	24
Compilation of dataset of metrics	-	11
Total	246	262

*Agreed upon procedures related to the R & D Tax Incentive scheme and disclosure of historical financial data in a sustainability report.

As part of business activities, LIC incurs research and development expenses while working on a number of projects. Research and Development expenses were previously disclosed separately on the face of the 'Statement of Results', however are now presented here.

<i>In thousands of New Zealand dollars</i>	2024	2023
Research & Development Expenses	21,215	18,577

11. Other liabilities

<i>In thousands of New Zealand dollars</i>	2024	2023
Provisions for employee entitlements	7,596	9,340
Provision for sire proving rebate	2,522	2,547
Derivatives used for hedging	87	-
Provision for tax	(3,259)	(327)
Lease liabilities - current	4,962	4,244
Lease liabilities - non-current	16,736	17,224
Other	577	532
	29,221	33,560

The provision for sire proving rebate represents a rolling three years of expected rebate payments, with approximately \$1 million due to be paid in each of the next three years, discounted to 31 May 2024.

Notes to the Financial Statements

12. Transactions with Related Parties - Directors and Management

The Group has had the following short-term transactions with key Management and Directors during the year:

<i>In thousands of New Zealand dollars</i>	2024	2023
Remuneration of key Management and Directors	4,960	4,197
Sale of goods and services to key Management and Directors	468	597
Purchases of goods and services from key Management and Directors	3	166

Directors of the Company and their related entities hold 378,001 Ordinary Shares, representing 0.26% of shares on issue (2023: 375,359 Ordinary Shares, representing 0.25%).

There are no loans or deposits with related entities outside of the consolidated Group.

13. Reconciliation of the Profit/(loss) for the year to Net operating cash flows

<i>In thousands of New Zealand dollars</i>	2024	2023
Profit/(loss) for the year	7,734	27,352
<i>Adjusted for:</i>		
Depreciation and amortisation on all assets	24,047	23,116
Bull team revaluation	8,768	(4,524)
Deferred tax expense	2,129	804
Working capital movements and other non-cash items	(2,626)	(9,957)
Net operating cash flows	40,052	36,791

14. Subsequent events

After 31 May 2024, a dividend of 5.84 cents per Ordinary Share was proposed by the Directors in relation to the 2024 year, or \$8.314 million (2023: 16.38 cents per Ordinary Share, or \$23.323 million).



Independent Auditor's Report

To the shareholders of Livestock Improvement Corporation

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the consolidated financial statements of Livestock Improvement Corporation Limited (the 'company') and its subsidiaries (the 'group') on pages 7 to 21 present fairly, in all material respects:

- i. the Group's financial position as at 31 May 2024 and its financial performance and cash flows for the year ended on that date;

in accordance with New Zealand Equivalents to International Financial Reporting Standards issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards issued by the International Accounting Standards Board.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of position as at 31 May 2024;
- the consolidated statements of results, changes in position and cash flows for the year ended; and
- notes, including material accounting policy information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Our firm has also provided other services to the Group comprising agreed upon procedure engagements over the research and development tax credit and the disclosure of historical financial data in a sustainability report. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at \$1,490,000 determined with reference to a benchmark of profit/(loss) for the year before tax (excluding bull team revaluation movements). We chose the benchmark because, in our view, this is a key measure of the Group's performance.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
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Valuation of the Bull Team

Refer to Note 2 to the Financial Statements.

Determining the valuation of the bull team, which is the core asset to both the domestic and international genetics operations of the Group, is a highly judgemental and complex area. Management prepares a model that projects the number and types of straws that the current team can produce and will be sold over the useful life of the bulls. The valuation model factors the cost of rearing, animal and farm management costs, and forecasts of processing costs to make sales. The calculated surplus is discounted to reflect the time value of money

Our audit procedures included challenge of management's significant assumptions such as:

- Projected sales volumes and pricing;
- Discount rates applied; and
- Runoff Profile of the bulls.

We compared sales and costs growth, and inflation rates to historical data and published market forecast data where available.

We utilised our valuation specialists to review market and industry data to assess management's discount rate applied to the valuation model.

We assessed the runoff profile of the bulls against historical data and found the inputs to be comparable.

We considered the adequacy of the related financial statement disclosures.

We had no matters to report as a result of our procedures

Carrying Value of Intangible Assets

Refer to Note 4 to the Financial Statements

The Group has two categories of intangible assets with indefinite useful lives:

- Goodwill of \$2.3m, arising from a number of acquisitions; and
- The LIC Animal Database of \$10.5m.

The two significant cash generating units (CGUs) holding these assets are tested twice a year for impairment using discounted cashflow models to determine the recoverable amount.

The market capitalisation deficit that exists at balance date is an indicator of impairment at a Group level and has therefore been tested for impairment using a discounted

We challenged management on the reasonableness of the assumptions included in the cashflow forecast models, with particular attention paid to the following:

- Assessing management's future sales and growth assumptions compared to external market and industry data and historical performance of each of the CGU's and the Group. We used our own valuation specialists to assist us with the consideration of the discount rates;
- Comparing management's previous forecasts to actual results achieved in each CGU and the Group; and
- Performing sensitivity analysis around the key assumptions used in the model.

Our testing supported management's conclusion that there is no impairment.



The key audit matter

How the matter was addressed in our audit

cashflow model to determine the recoverable amount of the Group.

The annual impairment tests performed by the Group were significant to our audit due to the magnitude of the intangible assets and because the discounted cashflow models involve judgement about the future performance of the CGU's and the Group, including considering future economic and market conditions.

Other information

The Directors, on behalf of the Group, are responsible for the other information included in the entity's Financial statements. Other information includes the Key Metrics and the Directors Report. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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



Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards issued by the New Zealand Accounting Standards Board;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is free from material misstatement, whether due to fraud or error; and



- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the company and group financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is **Trevor Newland**

For and on behalf of

KPMG
Hamilton
18th July 2024



Corporate Governance Report

Corporate Governance Statement

Livestock Improvement Corporation (“LIC” or the “Company”) is a New Zealand Co-operative Company, owned by New Zealand dairy farmers. Its shares are quoted on the Main Board of the New Zealand Stock Exchange (NZX) and it is a Climate Reporting Entity (as defined under The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021). LIC’s first Climate Statements for the year ended 31 May 2024 can be accessed on LIC’s website at:

lic.co.nz/about/environment-and-sustainability/climate-disclosure-reporting/

In this section of the Annual Report we report against the Principles and Recommendations of the NZX Corporate Governance Code dated 1 April 2023 (the NZX Code) and the extent that LIC has followed the NZX Code’s recommendations. LIC has a high degree of compliance with the NZX Code. This statement is current to 31 May 2024 and has been approved by the Directors of LIC.

LIC is primarily involved in the development, production and marketing of artificial breeding, genetics, farm software, diagnostic and animal health testing and herd testing services in the New Zealand dairy sector, the control and maintenance of the LIC database and the execution of research relating to dairy herd improvement.

On LIC’s website (lic.co.nz/shareholders/corporategovernance) you will find the following corporate governance documents:

- Constitution

Charters

- LIC Board Charter
- Audit, Finance & Risk Committee Charter
- People and Culture Committee Charter
- Disclosure Committee Charter
- LIC Shareholder Reference Group, Board and Management Engagement Charter

Other Corporate Governance Documents

- Code of Conduct and Ethics
- Continuous Disclosure Policy
- Diversity, Equity and Inclusion Policy
- Dividend Policy
- External Auditor Independence Policy
- Honoraria Committee Terms of Reference
- Shareholder Reference Group Terms of Reference
- Share Trading and Disclosure Policy

Our latest Sustainability Report can also be accessed on LIC’s website at:

lic.co.nz/about/environment-and-sustainability/sustainability

Co-operative Principles

LIC's co-operative principles are set out in its Constitution and are:

- a) The Company will remain a Co-operative Company;
- b) The Company is "User Controlled" meaning that eligible Users of the Company's qualifying products and services hold 60% or more of its voting rights;
- c) Core products and services are made available to all Shareholders at fair commercial prices;
- d) Products and services which benefit Shareholders and which otherwise might not be made available, are developed and made available to Shareholders, provided that the company receives a commercial return; and
- e) Shareholders co-operate with the Company and each other, including the sharing of information to promote their common interests.

NZX Code Principle 1, Ethical Standards: Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Conduct and Ethics

LIC's Code of Conduct and Ethics (the Code) sets out the ethical and behaviour standards expected of Directors and employees of LIC. The Code is reviewed biennially (or as required) to keep it up to date with employee, shareholder and other stakeholder expectations. New Directors and employees receive training on the Code as part of their induction process. Directors and employees are also expected to uphold LIC's values of integrity, innovation, being in-tune with our farmers, passion and spirit of cooperation.

Avoiding conflicts of interest

The Code of Conduct and Ethics includes direction on disclosing and managing conflicts of interest. The Board updates changes in interests and any potential conflicts at each meeting. LIC's General Counsel holds a Directors' interests register and the Board reviews the register at each meeting. The register records relevant transactions and disclosures of interests. The Directors' interests are set out on page 44.

Whistleblowing

The Code of Conduct and Ethics and the Company's Employment Relations Policy, which are available to employees on LIC's intranet, include guidance on specific action to be taken by a person who suspects a serious wrongdoing.

Trading in securities

The Company has a Share Trading and Disclosure Policy for Directors, members of the Company's Shareholder Reference Group (SRG), Restricted Persons and other Employees wanting to deal in the securities of the Company.

The Policy outlines:

- when Directors, members of the SRG, Restricted Persons and other Employees of the Company may deal in the shares of the Company;
- procedures to reduce the risk of insider trading; and
- disclosure requirements.

The Policy records the Company's procedures for compliance with the Financial Markets Conduct Act 2013 (FMC Act), the NZX Listing Rules and other relevant legislation/regulation for the trading and disclosure of trading in the shares of the Company and details the exemption granted by the Financial Markets Authority from certain provisions of the FMC Act.

The exemption ensures that LIC Directors and employees can comply with the Company's constitutional and co-operative requirements and the Rules of its Employee Share Scheme without technically infringing the insider trading provisions of the FMC Act.

The Policy aims to protect Directors, members of the SRG, Restricted Persons and Employees, as well

as the Company and the Company's Shareholders, against acts of insider trading that could disadvantage holders of the Company's shares.

An Elected Director must hold the minimum shareholding requirement and can hold additional shares in accordance with the Company's Constitution.

NZX Code Principle 2, Board composition and performance: To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Role of the Board

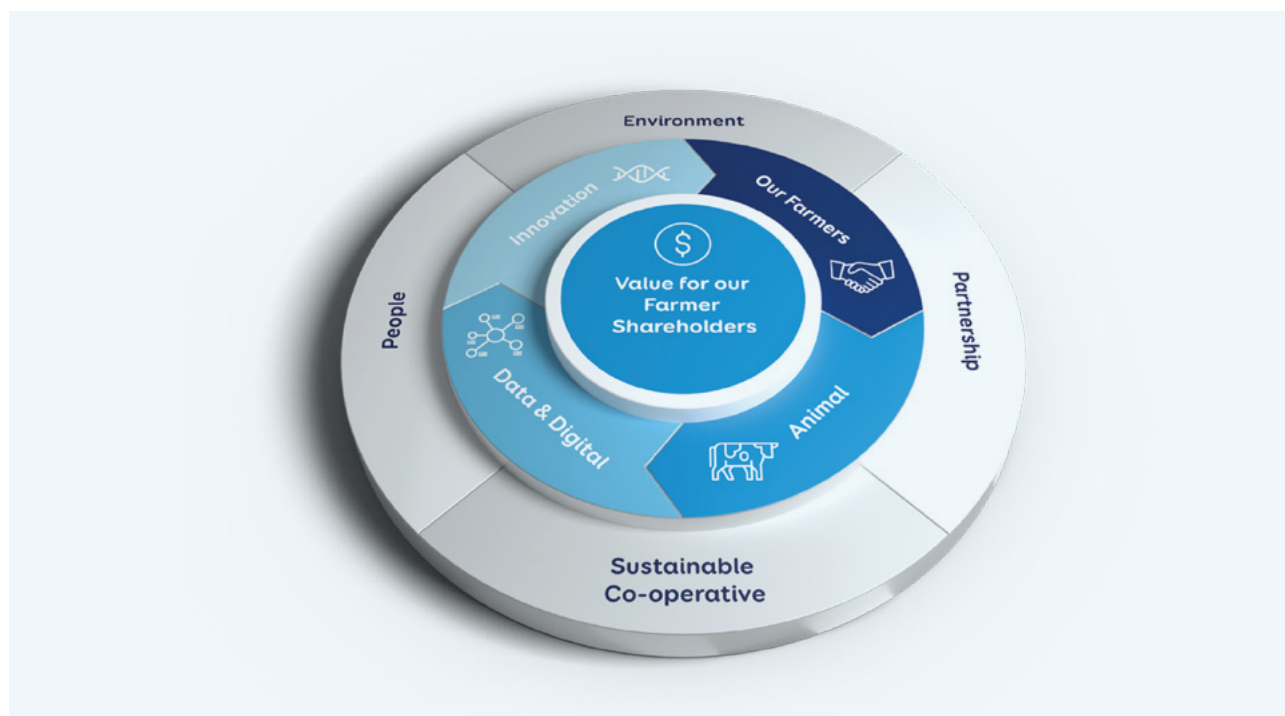
Legislation, the NZX Listing Rules and the Constitution establish the Board's responsibilities and include provisions for how the Company will operate. The structure of the Board and its governance arrangements are set out in the Company's Constitution and in the Board's written Charter which outlines and distinguishes the Board and Management's respective roles and responsibilities. The Board is responsible for the direction and control of LIC's activities. It is also committed to the guiding values of the Company.

Board responsibilities

The Board is responsible for setting the strategy of LIC and monitoring delivery against that strategy, recognising the Company's economic, environmental and social responsibilities.

LIC's business strategy and purpose is to deliver superior genetics and technological innovation to help shareholders sustainably farm a profitable animal. Value for our farmer shareholders is at the heart of our strategy.

LIC will drive value, innovate and deliver a positive impact for customers and shareholders by focussing on the following:



LIC's strategy makes three commitments to farmers:

<p>1</p> <p>Operational Excellence</p> <p>We commit to getting the basics right and delivering for you, on time, every time.</p>	<p>2</p> <p>Faster Genetic Improvement</p> <p>We commit to having your back when it comes to helping you meet the environmental challenges you face, in particular animal efficiency, and nitrogen and methane mitigation.</p>	<p>3</p> <p>Software Reliability and Performance</p> <p>We commit to being better at delivering our software to you. We renew our commitment to continuous improvement and transparency around delivery of new features.</p>
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Full details of the strategy, including the measures for each of these commitments, are available on LIC's website at lic.co.nz/about/our-strategy

The Board is also responsible for approval of significant expenditures, policy determination, selection of Appointed Directors, oversight of risk (including climate-related risks and opportunities and setting risk appetite for all risk categories) and stewardship of the Company's assets. Management is responsible for implementing the strategic objectives, operating within the risk appetite set by the Board, and for all other day-to-day running of the Company. The Board delegates the day-to-day leadership and management of the Company to the Chief Executive (CE). The delegations are set out in the Board Charter and in a Delegated Authorities framework, which also sets out authority levels for types of commitments that the Company's management can make. A copy of the Board Charter is available on LIC's website.

Notwithstanding the responsibilities of the Board, the Board and Shareholders will not, except with the written consent of the Minister for Primary Industries, or other relevant Minister, exercise any of their rights, directions and powers under, or alter the Constitution so as to cause or permit the Company to cease to be a co-operative supplying goods and services to Shareholders.

Board composition

The Board is comprised of six Elected and three Appointed Directors. The LIC Constitution allows for up to four Appointed Directors to be appointed to the Board.

The current Board of Directors is made up as follows:

- Elected Directors: Corrigan Sowman (Chair), Ben Dickie, Duncan Coull, Matt Ross, Victoria Trayner and Alison Watters.
- Appointed Directors: Tim Gibson, Sophie Haslem and Candace Kinser.

Information about each Director, including their independence, ownership interests and attendance at board meetings, is included in this section. A profile of each Director's experience, including the length of their service, can be found on the LIC website. See also page 35 for further information about the Company's Diversity, Equity and Inclusion policy.

Nomination, election and appointment of Directors

The nomination, election and appointment of Directors to the Board of LIC is also governed by the LIC Constitution. The relevant NZX Rulings and waivers to the NZX Listing Rules are set out on pages 50 and 51.

Elected Directors are nominated and elected by Shareholders within the region each Director represents (two regions in total). Once elected they will hold office for a period of approximately three years. The term of that director's tenure will be in accordance with the Rotation Schedule.

All recommendations and deliberations on the selection of Appointed Directors are undertaken by the full Board. Appointed Directors hold office for approximately three years.

A retiring Director is eligible for re-election or re-appointment as a Director of the Company. All Directors have entered into written agreements setting out the terms of their engagement and all new Directors will also do so.

In relation to the nomination and appointment of Directors, appropriate checks are undertaken by an external party, Propero Consulting Limited. The process includes the provision of key information about candidates to Shareholders and/or the Board, such as relevant skills, experience and directorships and any material adverse information of which the Company has become aware.

Sophie Haslem was due to retire by rotation in October 2023 and sought re-appointment. Her appointment as an Appointed Director was ratified by shareholders at the 2023 Annual Meeting for a further term of approximately three years.

In this year's Director elections, North Island Director Alison Watters and South Island Director Matt Ross are due to retire by rotation at the Annual Meeting. Matt Ross has decided, after seven years on the LIC Board, to not seek re-election. Alison Watters has decided, after ten years on the LIC board, to also not seek re-election.

Alison Watters and Matt Ross will be replaced by nominated Shareholders that are elected by Shareholders. The elections are timed to coincide with the 2024 Annual Meeting.

Appointed Director, Candace Kinser is due to retire by rotation in October 2024. After nine years on the LIC Board, she has decided to not seek re-appointment. The Board is seeking a nominee for the Appointed Director position who has the requisite skill set.

Meetings

The Board met eight times in 2023/24 with two additional strategy days.



Board Attendance:

No of meetings	Board Meetings		Special Board Meetings		Board Strategy Days	
	Held	Attended	Held	Attended	Held	Attended
Ben Dickie	8	7	1	1	2	2
Tim Gibson	8	7	1	1	2	1
Ken Hames*	8	3	-	-	2	-
Sophie Haslem	8	8	1	1	2	2
Murray King*	8	3	-	-	2	-
Candace Kinser	8	8	1	1	2	2
Matt Ross	8	8	1	1	2	2
Corrigan Sowman	8	8	1	1	2	2
Alison Watters	8	7	1	1	2	1
Duncan Coull**	8	5	1	1	2	1
Victoria Trayner**	8	5	1	-	2	1

*retired at the 2023 Annual Meeting

**elected at the 2023 Annual Meeting

Director training

Directors each undertake appropriate education to remain current in how to best perform their duties as Directors. Directors maintain memberships of relevant bodies such as the Institute of Directors and receive information individually and from Management in relation to specific issues relevant to LIC, the markets in which it operates and the dairy sector. Directors also undertake in-market and stakeholder visits.

The Chair revises development plans for each of the Directors annually. These plans specifically focus on areas that will not only develop the individual Director but will also enhance overall Board capability. In addition, budget provision is in place for Directors who want to undertake approved specific higher-level study, the cost of which is shared on a 50:50 basis.

Board, Committee and Director Performance

The Board uses an external party to assist with reviewing the performance of the Board, individual Directors and its committees on a regular basis. Independent consultants Propero Consulting Limited were last engaged in 2023

and undertook a pulse check evaluation of the performance of the Board. The evaluation provided the Board with additional support as part of transitioning to a new Chair and also highlighted the continued improvement in communication between the Board and Senior Leadership Team to support strong decision making.

Director Independence

Directors are appointed in accordance with the Constitution. The current Appointed Directors are not co-operative members and are appointed to bring their external expertise to the Board.

For the purposes of the Listing Rules, the Board has assessed all of the Directors to be independent.

While all Elected Directors are co-operative members and purchase from and sell goods and services to LIC, the Board does not consider them to have a relationship that could reasonably influence, or be perceived to influence, their ability to bring an independent view to decisions in relation to LIC, to act in the best interest of LIC or to represent the interests of LIC Shareholders generally.



Chair

As noted above, LIC's Chair is assessed to be an independent Director. LIC's Board also endorses the separation of the roles of the Chair and Chief Executive (CE) and a Director should not simultaneously hold both roles. For the avoidance of doubt, the positions of Company Chair and CE are currently held by two separate individuals.

In addition, to ensure appropriate management where necessary, the LIC Board Charter sets out an exception to this whereby the Board may appoint a Director to assume the post of CE concurrently on a temporary basis when the post of CE is vacant, for a period of no longer than six months. This can be extended, only where the position of CE is still vacant for a further maximum period of six months. At the termination of that further period, that Director shall resign from the Board.

NZX Code Principle 3, Board Committees: The board should use Committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

Committees

LIC Board committees review and consider in detail the policies and proposals developed by Management and make recommendations to the Board. They do not take action or make decisions on behalf of the Board unless specifically mandated to do so. A committee or an individual Director can engage independent legal counsel at LIC's expense with the prior approval of the Board Chair.

The Board will occasionally appoint a committee of Directors to consider or approve a specific proposal or action if the timing of meetings or availability of Directors means the matter cannot be considered by the full Board. Their deliberations and decisions are reported back to the Board no later than the next meeting.

Audit, Finance & Risk Committee

A Sub-Committee of the Board, the Audit, Finance & Risk Committee ensures the Company complies with its audit, financial and risk management responsibilities. It operates under a written charter, which is available on the LIC website. The Committee is chaired by Appointed Director Sophie Haslem, with the other members being:

As at 1 June 2023	Murray King, Ben Dickie, Matt Ross and Corrigan Sowman
As at 1 December 2023	Ben Dickie, Victoria Trayner and Corrigan Sowman

All current members of the Committee are considered to be independent. Employees only attend Committee meetings at the invitation of the Committee.

The Committee meets at least four times a year and met six times in 2023/24.

People and Culture Committee

A Sub-Committee of the Board, the People and Culture Committee (formerly known as the Remuneration and Appointments Committee) approves appointments and terms of remuneration of the Chief Executive, oversees the people policies for LIC and also considers and assists the Board in its director appointment process, and if appropriate recommends to the Board any wage and salary percentage adjustments for the Co-operative's employees. It operates under a written charter, which is available on the LIC website. The Committee is chaired by Appointed Director Tim Gibson with the other members being:

As at 1 June 2023	Murray King, Ken Hames and Alison Watters
As at 1 December 2023	Corrigan Sowman, Matt Ross, Duncan Coull and Alison Watters

All current members of the Committee are considered to be independent. Management only attends Committee meetings at the invitation of the Committee.

The Committee meets at least four times a year and met four times in 2023/24. For completeness, the Company does not have a nomination committee as recommendations and decisions relating to Director appointments are made by the full Board as outlined on page 30.

Disclosure Committee

A Sub-Committee of the Board, the Disclosure Committee assists the Board and Company in ensuring that all material information is identified, reported for review by the Disclosure Committee, and if required, disclosed in a timely manner to the NZX. It operates under a written charter, which is available on the LIC website. The Disclosure Committee is chaired by Board Chair Corrigan Sowman with the other members being Appointed Director Sophie Haslem, the Chief Executive, Chief Financial Officer, General Counsel and Communications Manager. Disclosure Committee meetings are also attended by key members of management as required.

The Committee meets as and when required and met twice in 2023/24.



Board Committee attendance:

Number of meetings	Audit, Finance & Risk Committee		People and Culture Committee		Disclosure Committee	
	Held	Attended	Held	Attended	Held	Attended
Ben Dickie	6	6				
Tim Gibson			4	3		
Ken Hames*			4	1		
Sophie Haslem	6	6			2	2
Murray King*	6	2	4	1	2	2
Candace Kinser						
Matt Ross***	6	3	4	3		
Corrigan Sowman***	6	6	4	3	2	2
Alison Watters			4	4		
Duncan Coull**			4	3		
Victoria Trayner**	6	3				

*retired at the 2023 Annual Meeting

**elected at the 2023 Annual Meeting

***meetings attended impacted by a change to committee memberships on 1 December 2023

Takeovers

Due to LIC's co-operative company status, its Constitution and the Dairy Industry Restructuring Act 2001 (DIRA) based shareholding restrictions, LIC considers it is not necessary to have takeover

protocols in place. Under LIC's Constitution no person shall hold a relevant interest of more than 5% of the total number of ordinary shares in the Company.



NZX Code Principle 4, Reporting and disclosure: The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

Financial reporting

The Board is responsible overall for ensuring the integrity of the Company's reporting to Shareholders, including financial statements that comply with generally accepted accounting practice (NZ GAAP).

The Board's Audit, Finance & Risk Committee oversees the quality, reliability and accuracy of the financial statements and related documents and its role is more fully described in its Charter which is available on the LIC website. In undertaking its role, the Committee makes enquiries of Management and the external auditors, including requiring Management representations so that the Directors can be satisfied as to the validity and accuracy of all aspects of LIC's financial reporting.

Disclosure to the market

LIC has a written disclosure policy: the Continuous Disclosure Policy can be found on our website. It sets out requirements for full and timely disclosure to the market of material information, so that all stakeholders have equal access to information. The Board specifically consider with Management at each board meeting whether there are any issues which might require disclosure to the market under the NZX continuous disclosure requirements.

Non-financial reporting

Sustainability

LIC's annual sustainability report is prepared in accordance with the core option of the Global Reporting Initiative (GRI) Standards and in line with our commitments as members of the Climate Leaders Coalition and the Sustainable Business Council.

LIC's first climate statement reporting period is for the year ended 31 May 2024.

Diversity, Equity and Inclusion

The Company fosters an inclusive working environment that promotes employment equity and workforce diversity at all levels, including within the Senior Leadership Team and the Board. The Diversity, Equity and Inclusion Policy is available on LIC's website at lic.co.nz/shareholders/corporategovernance.

As at the 2023/24 year-end, members of the Board and Senior Leadership Team self-identified as follows:

	2024			2023		
	M	F	GD	M	F	GD
LIC Board	5	4	-	6	3	-
LIC Senior Leadership Team	5	3	-	6	2	-

Key: M = Male / F = Female / GD = Gender Diverse

The Diversity, Equity & Inclusion Committee aims to foster a workplace culture that values and promotes diversity, equity and inclusion.

For 2023/24 the Committee focused on:

- Implementation of a Te Ao Māori Strategy and
- Establishment of a Women in Leadership Group

Te Ao Māori Strategy:

With the partnership of Tira (formerly Tutira Mai), the Te Ao Māori (Te Whakapiki) Strategy has been finalised. The strategy will be embedded into LIC over the next few years.

Women in Leadership Group:

This group has been set up with the aim of fostering a community of women and empowering them to become leaders in their respective fields. The group seeks to build strong connections across various industries, and to provide mentorship and development advice from experts with diverse backgrounds and skill sets.



LIC continues to collect baseline data from its employees on an opt-in basis, which now includes religion, gender identity and disability, in addition to age and ethnicity. This information has highlighted that LIC is a reasonably diverse company. The aim is to continually update our baseline data so that targeted initiatives can be completed.

In support of initiatives that foster an inclusive working environment, all external advertising for positions at LIC are worded to encourage a diverse range of applicants and state LIC's desire to drive for diversity, equity and inclusion within our workplace. Management appointment interviews are conducted by a panel that represents diversity of thought. Training for all employees is provided on the benefits of diversity, equity and inclusion and has been developed and implemented to drive an understanding of unconscious bias.

In addition to the above, LIC continues to look at its employment practices, including protection of vulnerable persons, regional presence and youth employment.

Non-financial risks

LIC's assessment of exposure to non-financial risks, including economic, environmental and health and safety risks, is included in LIC's risk assessment process described under Principle 6.

NZX Code Principle 5, Remuneration: The remuneration of directors and executives should be transparent, fair and reasonable.

Directors Remuneration

Under LIC's Constitution, LIC has an Honoraria Committee tasked with considering and recommending to Shareholders the form and amount of fees paid to LIC's Directors. The Honoraria Committee is made up of between two and four Shareholders, elected by their fellow Shareholders. The Honoraria Committee's terms of reference are on the LIC website. LIC does not have a directors' remuneration policy, relying instead on the Honoraria Committee to recommend to Shareholders the remuneration to be paid to the Directors.

The total remuneration for LIC's Directors is approved by Shareholders at the Annual Meeting and the current pool of \$723,000 for all nine Directors was approved at the meeting held in October 2023.

Directors of the Company received the following remuneration for the twelve months ending 31 May 2024:

In thousands of New Zealand dollars

	Board	AFRC	P & C	TAB	Total Fees
Murray King*	48				48
Corrigan Sowman	113				113
Ben Dickie	63				63
Tim Gibson	63		13		76
Ken Hames*	22				22
Sophie Haslem	63	20			83
Candace Kinser	63			13	76
Matt Ross	63				63
Alison Watters	63				63
Duncan Coull**	41				41
Victoria Trayner**	41				41
					689

**retired at the 2023 Annual Meeting*

***elected at the 2023 Annual Meeting*

In addition to the above remuneration, and in accordance with the Constitution, Directors are reimbursed for any actual and reasonable expenses incurred while on LIC business. This is paid in the form of a standard annual incidental allowance with any further actual and reasonable expenses incurred while on LIC business also reimbursed. The standard annual incidental allowance is set at \$1,200 for each Director and \$6,000 for the Chair. The payment of a standard incidental allowance reduces the administrative effort required in submitting and processing transactions of a relatively low value.

The Directors receive no other benefits.

No Directors of subsidiaries received any remuneration or other benefits in their role as a Director of that subsidiary. The remuneration of employees that receive more than \$100,000 as a result of employee remuneration (and other benefits) is included in the Employees' Remuneration table on page 38.

Chief Executive Remuneration

Chief Executive (CE) David Chin's remuneration package is made up of a combination of base salary and annual performance payments. His performance is assessed based on a range of factors including:

- Overall financial performance (40%): delivery of the annual plan and financial budget
- Overall strategic performance (60%), including:
 - Staff engagement and culture
 - Customer and operational delivery (delivery of the 3 commitments and achieve continuous improvements in customer Net Promotor Score)
 - Delivery of strategy and key projects

The remuneration paid to LIC's CE for the year ending 31 May 2024 is set out below:

In thousands of New Zealand dollars

Base Salary (TPV)	521
2022/23 year short-term incentive payment received	153
Total	674

The CE's current remuneration package consists of \$521,000 TPV and short-term incentive target of achieving both budget goals and other standard objectives (20% of TPV) as well as stretch objectives in relation to strategy (20% of TPV) and does not include any long-term incentives or share options.



Employee Remuneration

LIC has a transparent Remuneration Policy for all employees, which is approved by the People and Culture Committee. This is an internal policy but available to all employees on LIC's intranet.

LIC aims to have a remuneration framework and policies to attract and retain talented and motivated people. The Company wants to:

1. Be recognised as a great place to work;
2. Recognise and reward successes, while encouraging teamwork and a high performance culture;
3. Be fair and consistent;
4. Be true to our values of integrity, innovation, spirit of co-operation, in tune and passion.

We use market data to determine fair remuneration levels for all staff. Short term incentives apply to executive and certain management roles for achievement of specific objectives and in relation to achievement of project initiatives and are paid in the following period. During the period 1 June 2023 to 31 May 2024 the following numbers of employees (not being Directors) received total remuneration, including benefits and short term incentives relating to the 2022/23 year, of at least \$100,000:

Remuneration Range (Gross)	Current Employees	Exited Employees	Total
100,000 - 109,999	71	2	73
110,000 - 119,999	63	10	73
120,000 - 129,999	48	2	50
130,000 - 139,999	31	-	31
140,000 - 149,999	30	1	31
150,000 - 159,999	20	-	20
160,000 - 169,999	20	1	21
170,000 - 179,999	13	-	13
180,000 - 189,999	6	1	7
190,000 - 199,999	6	-	6
200,000 - 209,999	3	-	3
210,000 - 219,999	2	-	2
220,000 - 229,999	3	-	3
230,000 - 239,999	6	-	6
240,000 - 249,999	3	-	3
250,000 - 259,999	2	-	2
260,000 - 269,999	3	-	3
270,000 - 279,999	4	-	4
280,000 - 289,999	1	-	1
290,000 - 299,999	1	-	1
310,000 - 319,999	-	1	1
360,000 - 369,999	1	1	2
400,000 - 409,999	2	-	2
430,000 - 439,999	1	-	1
460,000 - 469,999	1	-	1
560,000 - 569,999	1	-	1
670,000 - 679,999	1	-	1
	343	19	362

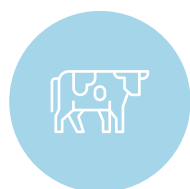
NZX Code Principle 6, Risk Management: Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

Managing Risk

LIC has a risk management framework in place to support the identification, quantification and management of risk. LIC’s risk management framework fosters improved ownership of risk identification and management across all levels of the business and an online risk tool supports this occurring in real time. Key risk indicators provide management with early warning of any risks

requiring increased focus. LIC’s risk ratings against appetite are reported to the Senior Leadership Team and the Audit, Finance & Risk Committee on a regular basis, with each risk category and its associated risk causes and controls reviewed periodically by the Senior Leadership Team and the Audit, Finance & Risk Committee.

LIC’s risk categories are:



Biosecurity & Animal Health
A biosecurity or animal health event impacts LIC’s livestock or its ability to provide products or services to its customers.



Information Security
The availability, integrity or confidentiality of information managed by LIC is compromised due to a malicious or unintentional information security incident.



Brand Damage
Continued short-term reputational damage results in damage to LIC’s brand.



Financial Risk
Failure to manage LIC’s debts and financial leverage or to identify fraud, internal errors or money owned results in LIC being unable to cover operational costs and or pay back its debts.



Market Disruption
The inability to commercialise innovations or respond quickly to market disruption or emerging technologies causes reduced use by Shareholders of existing products or services with a resultant reduction in revenue.



Health & Safety
The potential for injury or loss of life for employees, contractors or visitors engaged in LIC business activities or on LIC sites or prosecution of the organisation.



Compliance
Breaches of laws, regulations, licences, standards, NZX continuous disclosure requirements or Overseas Market Access Requirements result in restrictions, penalties, or loss.



People & Capability
Availability, capability and engagement of our people and key vendors to effectively execute LIC’s strategic plan.



Disruption to Production or Service
Any disruption caused by processes, people, equipment, systems, software availability or external events which affects LIC’s ability to deliver quality semen or other products and services to its customers.



Strategic Risk
An inability to deliver LIC’s agreed strategy due to disruption, planning, risk, resourcing and other barriers not identified or managed.

Of particular interest to Shareholders and stakeholders will be the following updates on LIC's key risk categories:

Health and safety

The health and safety of people, our staff, customers, contractors and anyone we come into contact with, is of utmost importance to LIC and remains our highest priority, regardless of the country they are based in, or which site they are based at.

LIC has identified eleven critical health and safety risks: high-risk hazards we believe have a high likelihood of causing death or life-changing injuries if uncontrolled. These are:

- Driving cars and trucks (on national roads)
- Quad bikes
- Farm vehicles
- Workplace stress and fatigue
- Zoonosis
- Asbestos
- Liquid Nitrogen
- Working at heights
- Agrichemicals
- Animal handling
- Working alone and/or remotely

Regular reporting to the Senior Leadership Team and the Board provides assurance that LIC's health and safety system is operating effectively. Directors and senior leaders are required to spend time each year confirming for themselves that critical risk controls are in place and operating as expected.

Business units have health and safety representatives and there is a quarterly formal governance forum chaired by LIC's CE. Each business unit is also required to develop a bespoke health and safety plan to continually improve health and safety management in their area. Progress against these plans is reviewed at the Health and Safety Governance Forum meeting.

LIC uses the Lost Time Injury Frequency Rate (LTIFR) as its main safety metric. The LTIFR is not LIC's sole safety measure - it complements a range of other leading and lagging safety measures, which are regularly reported to the Senior Leadership Team and the Board.

	2023/24	2022/23
LTIFR (200,000 h)	2.35	2.23
Notifiable Events	2	1

As can be seen from the table above, the LTIFR increased slightly since 2022/23. LIC also reported two notifiable events to Worksafe NZ. These incidents were internally comprehensively investigated and corrective actions implemented. Worksafe NZ chose not to investigate the incidents further.

Other performance indicators showed that overall event reporting increased. The increase in reporting was the result of a significant increase in 'near-miss' reporting. Fewer incidents resulting in injury were reported in 2023/24 than in previous years. The number of critical risk-related incidents also continued to track down following the focus and investment into improving critical risk controls and increasing the involvement of frontline staff in control design.

In 2023/24 we focused on:

- Implementing health and safety objectives within all business units, focussing on their unique risks to enable ongoing improvement.
- Improving near-miss reporting, timely completion of event investigations and improvement actions through training and enhancements to our reporting system.
- Providing all Health and Safety representatives with the opportunity to receive additional training to enhance their health and safety knowledge.
- Improving the quality of consultative critical risk control reviews.
- Improving our understanding of hazardous substance exposure and confined space management.
- Improving traffic management on several sites.
- Improving SHELTA user experience, LIC's electronic health and safety management platform, available on all LIC devices.

LIC has also started a review of 'violence and threatening behaviour' risk following several adverse experiences by staff while providing services to customers. This is unacceptable and additional controls are currently being developed. A full review of health and safety representation is also currently underway.

LIC's continued focus on health and safety has seen LIC retain its secondary level status following the annual ACC audit.

Disruption to production or service

The Company's ability to provide sufficient quality bull semen during a season relies on a number of factors, including the maintenance and operation of key equipment, staff and training and adherence to approved procedures and processes. An inability to meet demand for the Company's semen would result in significant reputational damage as well as a reduction in New Zealand revenue. Standard operating procedures are well documented and regularly reviewed. Semen quality is monitored daily and non-return rates are monitored weekly during the peak of the season. A Crisis Management Framework is in place, supported by defined key roles and alternates and business continuance plans, and these are reviewed and tested regularly including an annual crisis simulation exercise.

Information security

Reliance on technology, IT systems and services increases the impact of system outages and data loss should a significant adverse technology event occur. LIC's toolsets and visibility across the technology environment provide the ability to detect potential threats. Business continuity and disaster recovery plans are in place (including for cyber attacks), reviewed regularly and backups are performed regularly to support LIC's recovery should it be needed. LIC regularly undertakes phishing simulations and training to assess staff preparedness and vigilance.

Financial Risk

LIC has stringent processes in place to ensure budgets, forecasts and financial reporting are accurate and timely. LIC maintains internal controls to manage delegated authority and remove the opportunity for fraudulent activity through the segregation of duties.

The Company's revenue may be reduced as farmers decrease expenditure as a consequence of reduced returns, availability of cash or an increased cost of production. Reductions in New Zealand's milk price will affect returns paid to farmers: as a net exporter of milk, New Zealand's milk price is heavily influenced by reference to the price set by the Global Dairy Trade. Rural lenders approach to their lending portfolio may result in a tightening in policy and in turn less cash on farm. As a result, farmers may look to reduce both their capital spend as well as farm working expenses, including herd improvement. Increased compliance costs on farm may increase production costs, with farmers seeking to reduce costs elsewhere.

Bio-security and animal health

Quarantine procedures are in place in all LIC-controlled locations with quarantine bulls maintained separately to production bulls. Controls are in place on LIC's bull farms, including segregation of bulls and double-fencing, for safety and to reduce the risk of unwanted organisms, such as *Mycoplasma bovis* (M.bovis). Bulls are regularly inspected and undergo health testing. Business continuity plans are in place and tested. LIC has veterinary and epidemiological expertise within the Company.

Market disruption

The inability to commercialise innovations and/or respond quickly to market disruption or emerging technologies could cause reduced use by Shareholders of existing products and services with a resultant reduction in revenue. LIC maintains a watching brief on the innovation and technology landscape and follows agile product development methodologies to enable quicker commercialisation of new and improved products and services and the Board prioritises capital spend to ensure developments align with farmer needs.



Compliance

Breaches of laws, regulations, licences, standards, NZX continuous disclosure requirements, or market access requirements, could result in restrictions, penalties, or loss. LIC uses the New Zealand legal compliance software tool ComplyWith to ensure clarity of obligations across the organisation and for tracking adherence to compliance requirements.

Strategic risk

Disruption, planning, risk, resourcing or other barriers not identified or managed could lead to an inability to deliver on LIC's strategy, as would the lack of availability, capability and engagement of our people and key vendors. LIC regularly reviews progress against strategic objectives and has developed key metrics to ensure delivery of the commitments made to Shareholders.

The Board and Management continue to explore growth opportunities and ways to improve efficiency within LIC and for dairy farmers through innovative products and solutions. There is also a continued focus on genomic evaluation,

appropriate selection principles and careful monitoring of the elite portion of the national herd to ensure LIC's breeding scheme continues to deliver superior dairy genetics to assist farmers in improving productivity. Off-shore business activity also provides a buffer for NZ-specific impacts.

Climate

Climate risk is a sub-category risk in LIC's risk management tool as it impacts more than one of LIC's key risk areas. LIC has identified transition and physical risks related to climate change.

LIC is a member of the Climate Leaders Coalition and the Sustainable Business Council. LIC measures and publicly reports our greenhouse gas emissions, has set science-aligned emissions reduction targets, and works with our staff and suppliers to build sustainability into our purchasing decisions. LIC continues to offer farmers the tools and genetics they need to breed more efficient cows and drive sustainability improvements on-farm. The Resilient Dairy programme is an example of our commitment to long-term future improvement.

NZX Code Principle 7, Auditors: The Board should ensure the quality and independence of the external audit process.

External Audit

LIC has an External Auditor Independence Policy that requires the external auditor to be independent and to be seen as independent. This policy can be found on the LIC website. The Board is satisfied that there is no relationship between the Auditor and LIC or any related person at this time that could compromise the Auditor's independence. The Board also obtains confirmation of independence formally from the Auditor.

To ensure full and frank discussion between the Audit, Finance & Risk Committee and the auditors, the auditor's senior representatives meet separately with the Committee.

The External Auditor Independence Policy sets out restrictions on non-audit work that can be performed by the auditor and the Audit, Finance

& Risk Committee is required to approve all engagements with the auditor. The policy requires rotation of the key audit partner every five years, a requirement that we are fully compliant with. LIC's external auditor attends its Annual Meeting each year to answer questions from Shareholders in relation to the audit.

Internal Audit

LIC does not have a separate internal audit function. The Risk & Assurance Team performs, reviews and arranges for external audit resource to perform internal audits as agreed with the Audit, Finance & Risk Committee. The Risk & Assurance Manager reports to each Audit, Finance & Risk Committee meeting on internal audit or review issues and incidents, improvements and changes to internal controls.

NZX Code Principle 8, Shareholder rights and relations: The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

The Board recognises that, as its Shareholders are the Company's owners, customers and stakeholders, it is responsible for overseeing Shareholder engagement. Shareholder engagement reflects LIC's co-operative ownership structure and values and aims to be efficient, effective, fit for purpose and meet Shareholder expectations with regard to increased transparency about LIC's activities.

The LIC website is the key place for LIC's financial and operational information, including the Company's presentations, reports, announcements and media releases. The website is updated immediately when any announcement is made to the NZX. Important corporate governance documents such as the Charters and policies referred to in this section of the Annual Report can also be found on the LIC website and the Annual Report is available in both electronic and hard copy formats.

LIC provides half-year and annual reporting to the NZX to keep Shareholders informed and discloses information to the NZX to meet its continuous

disclosure obligations as required. The Company communicates with Shareholders through its Annual Report, half-year financial statements and at Shareholder meetings, as well as through a range of media channels on topics which it believes will be of interest to Shareholders.

We encourage all Shareholders to receive communications electronically and provide hard copies of information as and when required.

All Shareholders have the right to vote on major decisions which may change the nature of the Company and the Board encourages all Shareholders to attend and participate in Shareholder meetings.

This year the LIC Annual Meeting will be held both virtually and in person on Wednesday 18 September at 4pm at LIC Newstead, Hamilton and online (lic.co.nz/annualmeeting). LIC welcomes Shareholders' attendance either on-line or in person. A Notice of Meeting was sent to Shareholders in early August 2024.

Statutory Requirements

Entries in the interests register

Directors

All Elected Directors are customers and Shareholders of Livestock Improvement Corporation Limited and purchase products and services for their farming operations on an ongoing basis.

Directorships and Memberships

Benjamin John Dickie:

Director of:

- Taranaki Veterinary Centre Limited

Timothy Dunlop Gibson:

Director of:

- The Equanut Company Limited
- Omnieye Holdings Limited (Ceased 13 August 2023)
- Port Otago Limited and subsidiaries:
 - Chalmers Properties Limited
 - Fiordland Pilot Services Limited
 - Port Chalmers Container Terminal Limited
 - Te Rapa Gateway Limited
- Silver Fern Farms Co-Operative Limited
- Silver Fern Farms Limited and subsidiaries:
 - Silver Fern Farms Joint Ventures Limited
 - Silver Fern Farms Holdings Limited
- The Skills Organisation Incorporated
- Tūhana Business & Human Rights Limited
- Tūhana Consulting Limited

Sophie Haslem:

Director of:

- Centreport Limited and subsidiaries:
 - Centreport Captive Insurance Limited
 - Centreport Properties Limited
- Kordia Group Limited and subsidiaries:
 - Kordia Limited
 - Kordia New Zealand Limited
- Ngāi Tahu Holdings Corporation Limited (Ceased 31 January 2024)
- nib NZ Limited (as of 1 February 2024)
- nib NZ Insurance Limited (as of 1 February 2024)
- nib NZ Holdings Limited (as of 1 February 2024)
- Payments NZ Limited
- Rangatira Limited

Shareholder of:

- CH4 Global Inc

Candace Nicole Kinser:

Director of:

- Cancer Society of New Zealand Incorporated
- Eastland Group Limited and subsidiaries:
 - Eastland Generation Limited
 - Eastland Port Limited
 - Gisborne Airport Limited
- Helius Therapeutics Limited (Chair)

Chair of:

- Cancer Society of New Zealand, Auckland Northland Division Incorporated

Investment Committee Member of:

- Return on Science Investment Scheme at the University of Auckland

Matthew Fraser Ross:

Director of

- North Otago Irrigation Company Limited (Chair)
- Aqus Limited (as of 31 May 2024)

Director and Shareholder of:

- Bortons Agri Limited

Corrigan George Sowman:

Member of:

- Fonterra Sustainability Advisory Panel

Alison Jane Watters:

Director of:

- Fonterra Co-Operative Group Limited
- High-Value Nutrition (National Science Challenge)
- Meteorological Service of New Zealand Limited
- Totally Vets Limited

Shareholder of :

- AgInvest Holdings Limited (27.61%) AgInvest Holdings Limited has a 16.66% holding in Figured Limited.
- Agriculture Resources Limited



Duncan James Bruce Coull

Director and Shareholder of:

- RBS (2015) Limited
- RBS Invest Limited
- Ballance Agri-Nutrients Limited
- Ngutunui Dairies Limited

Director of:

- New Zealand Phosphate Company Limited

Victoria Jean Trayner

Director of:

- Waimakariri Irrigation Limited
- North Canterbury Land Holding Limited

Director and Shareholder of:

- Platinum Farming Limited

Shareholder of:

- Motu Lodge Stud Limited

Senior Staff

In addition to the directorships of LIC subsidiaries as detailed below, senior members of staff have recorded the following interests:

David Luk Chin (Chief Executive)

Director of:

- Agricultural Leaders' Health and Safety Action Group

Brent Denis Mealings (Chief Financial Officer)

Director of:

- Figured Limited

Emma Jane Blott (GM Commercial)

Director of:

- Eurogene AI Services (Ireland) Limited

Michael Rose (Business Development Manager - International, Australia)

Director of:

- National Herd Improvement Australia (NHIA)



The Directors of the Company's subsidiaries as at 31 May 2024 are set out below:

- LIC Agritechnology Company Limited: Ben Dickie, Tim Gibson, Sophie Haslem, Candace Kinser, Matt Ross, Corrigan Sowman, Duncan Coull, Victoria Trayner and Alison Watters.
- Livestock Improvement (New Zealand) Corporation Limited: David Chin and Brent Mealings
- LIC Ventures No. 1 Limited: David Chin and Brent Mealings
- LIC Ventures No.3 Limited: David Chin and Brent Mealings
- Agrigate GP Limited: Emma Blott, Brent Mealings and Dhaya Sivakumar
- Livestock Improvement Pty Limited: Emma Blott and Michael Rose
- Farmkeeper Pty Limited: Emma Blott and Michael Rose
- Overland Corner Holdings Pty Limited: Emma Blott and Michael Rose
- Beacon Automation Pty Limited: Emma Blott, Brent Mealings and Michael Rose
- Livestock Improvement Corporation (UK) Limited: Brent Mealings, Emma Blott and Mark Ryder
- LIC Ireland Limited: Emma Blott and Mark Ryder
- Livestock Improvement Automation Limited (IRE): Emma Blott and Mark Ryder

David Hazlehurst resigned from the following subsidiaries of the Company during 2023/24:

- Livestock Improvement (New Zealand) Corporation Limited
- LIC Ventures No. 1 Limited
- LIC Ventures No. 3 Limited
- Agrigate GP Limited
- Beacon Automation Pty Limited
- Livestock Improvement (UK) Limited
- LIC Ireland Limited
- Livestock Improvement Automation Limited (IRE)

Entries in the interest register

a) Participation in the Company's Contract Mating Scheme could lead to the potential sale of bull calves to LIC in the 2025/26 season.

Directors participating in the scheme include:

Director	Potential Calf Sales	Potential Value
Matt Ross	14	\$259,000
Corrigan Sowman	1	\$18,500
Duncan Coull	1	\$18,500

b) Share Dealings by Directors

As at 31 May 2024 the Directors other than the Appointed Directors (either in their own names and/or in the name(s) of their dairy farming entities) as qualifying users of LIC's products and services are holders of, or control the exercise of the right to vote or the acquisition or disposal of, the following shares:

	31 May 2024	31 May 2023
Director	Ordinary Shares	Ordinary Shares
Ben Dickie*	50,867	40,865
Matt Ross**	94,544	94,544
Corrigan Sowman	80,488	80,488
Alison Watters	33,576	33,576
Duncan Coull	7,824	N/A
Victoria Trayner	5,600	N/A

*Includes shares purchased through participation in the Voluntary Investment Scheme and shares compulsorily purchased to meet LIC's Shareholding Requirements

**Includes shares compulsorily purchased to meet LIC's Shareholding Requirements

Ordinary Shares include fully paid shares which are quoted on the NZX and Nil Paid Shares, which must be paid up over time by Shareholders.

c) Loans to Directors of the Parent and Subsidiaries

There have been no loans during the year.

d) Directors Indemnity and Insurance

The Company has issued a Deed of Indemnity and insured all its Directors and Senior Managers against liabilities to third parties for any acts or omissions in their capacity as Directors of the Company and its Related Parties.

e) Use of Company Information

There were no notices from Directors of the Company requesting to use Company Information received in their capacity as Directors, which would not otherwise have been available to them.



RESOLUTION OF DIRECTORS DATED 18 JULY 2024 CONFIRMING THE CO-OPERATIVE STATUS OF LIVESTOCK IMPROVEMENT CORPORATION LIMITED

RESOLVED THAT:

Livestock Improvement Corporation Limited (Company) was registered as a Co-operative Company under the provisions of the Co-operative Companies Act 1996 (Act) on 1 March 2002.

In the opinion of the Board of Directors, the Company has been a Co-operative Company from that date to the end of the accounting year ended 31 May 2024.

The grounds for this opinion are:

1. The principal activity of the Company involves supplying artificial breeding, herd testing, herd recording and other services to transacting Shareholders (as that term is defined in section 4 of the Act). Accordingly, the principal activity of the Company is, and is stated in the Constitution of the Company as being, a co-operative activity (as the term is defined in section 3 of the Act); and
2. Not less than 60 percent of the voting rights attached to shares in the Company are held by transacting Shareholders.

Spread of Shareholders as at 30 June 2024

(including treasury stock and nil paid shares)

Size of Shareholding	Number of Shareholders*	Shares Held	% of Total
1 - 999	613	392,936	0.27%
1,000 - 1,999	862	1,346,090	0.91%
2,000 - 2,999	801	1,955,141	1.32%
3,000 - 3,999	597	1,985,865	1.34%
4,000 - 4,999	802	3,526,903	2.39%
5,000 - 5,999	422	2,335,968	1.58%
6,000 - 6,999	398	2,571,087	1.74%
7,000 - 7,999	354	2,624,901	1.78%
8,000 - 8,999	409	3,462,497	2.34%
9,000 - 9,999	256	2,439,007	1.65%
10,000 - 14,999	1,051	12,831,316	8.69%
15,000 - 19,999	673	11,649,787	7.89%
20,000 - 24,999	394	8,792,372	5.95%
25,000 - 29,999	295	8,020,678	5.43%
30,000 - 34,999	198	6,405,861	4.34%
35,000 - 39,999	141	5,243,381	3.55%
40,000 - 49,999	198	8,826,715	5.98%
50,000 - 99,999	276	18,180,192	12.31%
100,000 - 199,999	60	8,095,300	5.48%
200,000 - 299,999	15	3,635,171	2.46%
300,000 - 499,999	6	2,320,423	1.57%
500,000 - 999,999	6	4,311,394	2.92%
1,000,000 +	12	26,729,435	18.10%

*The number of Shareholders above is based on the number of separate/individual farms. The table below setting out the twenty largest shareholdings, amalgamates Shareholders with multiple farms.

Twenty Largest Shareholdings as at 30 June 2024

(including treasury stock and nil paid shares)

Shareholder	Shares held	% of total shares
Trinity Lands Limited	7,315,625	4.95%
LIC Treasury Stock	5,337,584	3.61%
Kotare Futures Limited	3,025,000	2.05%
Sim Brothers Limited	2,539,162	1.72%
David Lockhart Easton & Anthea Clare Easton & RFH Trustees	2,168,220	1.47%
Melrose Dairy Limited	1,600,087	1.08%
Anglesea Agriculture Limited	1,517,203	1.03%
Cayuga Limited	1,226,843	0.83%
Robert Laurentius Johannes Bruin & Annemarie Bruin	1,098,423	0.74%
Kotare Pastoral Limited	1,063,942	0.72%
CIP Nominees No 1 Limited (Employee Share Scheme)	1,048,008	0.71%
Mangatarata Farms Limited	850,000	0.58%
Mark Braden Neil Dewdney & Anne Heather Dewdney & Victoria Ann Dewdney	785,471	0.53%
Christopher John Stark & Graham Carr	718,372	0.49%
DB Douglas Limited	646,956	0.44%
Pilsen 2021 Limited	616,944	0.42%
J D & R D Wallace General Partnership Limited	566,288	0.38%
Malrose Properties Limited	525,241	0.36%
Bishop Farms Oxford Limited	474,572	0.32%
Kaimanawa Farms Limited	443,502	0.30%
Laird Farm Limited	437,772	0.30%
Landcorp Farming Limited	419,540	0.28%

Credit Rating Status

LIC currently does not have a credit rating.

Substantial product holders

Based on substantial product holder notices received by the Company from shareholders, as at 31 May 2024, the following parties were substantial product holders of the Company:

Substantial product holders	Number of shares	Percentage of shares	Date of notice
Trinity Lands Limited	7,328,983	5.943%	19/09/19
Peter James McBride	7,329,577	5.943%	19/09/19

Key:

Number of shares = Number of quoted fully paid ordinary shares in substantial holding at date of notice

Percentage of shares = Percentage of quoted fully paid ordinary shares in substantial holding at date of notice

LIC understands that Peter James McBride's substantial product holder disclosure is in relation to financial products held by Trinity Lands Limited, also disclosed above, and Crocodile Farm Limited. Peter James McBride's substantial product holding notice states his interest arises because he has the power to exercise, or to control the exercise of, a right to vote attached to the financial products held by Trinity Lands Limited and Crocodile Farm Limited and has the power to acquire or dispose of, or to control the acquisition or disposal of, the same financial products held by Trinity Lands Limited and Crocodile Farm Limited.

As noted above, these substantial product holder notices were received on 19 September 2019. The Company has not received any other substantial product holder notice since that date.

Based on the Company's records, as at 31 May 2024, no shareholder holds more than 5% of the shares in the Company (comprising the only class of quoted voting products of the Company). Where a person holds a relevant interest in shares other

than by virtue of being the legal holder of shares, the Company may not be aware of that person's relevant interest and would be reliant on their lodgement of a substantial product holder notice.

LIC notes that the disclosures made at the date of the original notice are also available on nzx.com under LIC's announcements.

Donations

The Company made donations totalling \$7,000 during the year ended 31 May 2024.

No political contributions are made by the Company.

Non-Standard Listing

Livestock Improvement Corporation Limited has been classified as a Non-Standard NZX Issuer by the NZX, pursuant to NZX Listing Rule 1.18, by reason of it being a Co-operative Company having a Constitution which includes provisions having the following effect:

The acquiring of Ordinary Shares is restricted to New Zealand dairy farmers who derive an income from the farming of dairy cows in New Zealand, whose milk is supplied to a New Zealand milk processor and who purchase qualifying products and services from Livestock Improvement Corporation Limited.

WAIVERS AND APPROVALS GRANTED BY NZX REGULATION LIMITED (NZXR)

On 29 August 2023, NZX Regulation Limited (NZXR) released an amended and restated waivers, rulings and approvals decision in relation to the Company in respect of the following NZX Listing Rules:

1. A Ruling that treats the "Shareholding Requirement" as defined in LIC's Constitution as the "Minimum Holding" requirement for LIC for the purposes of the Listing Rules.
2. A Ruling to the extent that the definition of "Renounceable" refers to a Right or an offer of securities by LIC that is transferrable to any person entitled to hold those securities under the Constitution. This reflects the ownership restrictions on shares, resulting from the co-operative nature of LIC.
3. A waiver in respect of Rules 2.3.1 and 2.3.2, to allow for the following aspects of the Company's corporate governance structure:
 - a) Director nominations for Elected Directors by Ordinary Shareholders to be restricted by region, as set out in clause 22.4(b) of the Constitution and qualification, as set out in Schedule 3 of the Constitution;
 - b) the nomination procedures for Appointed and Elected Directors (including casually appointed directors) as set out in Schedule 3 of the Constitution;
4. A waiver in respect of Rule 3.13.1 to allow LIC to release to the NZX details of the Nil Paid Shares that have been converted into Fully Paid Shares on a monthly basis, in the form as required under Rule 3.13.1, on the first business day of each month, aggregating the number of Nil Paid Shares that have been paid up (if any) in the preceding month.
5. A waiver from Rule 4.15.1 to allow LIC to provide financial assistance to an Approved Holding Entity, for the purposes of, or in connection with, the acquisition of Equity Securities issued, or to be issued, under the Voluntary Investment Scheme .
6. A waiver in respect of Rule 6.2.4 to allow Nil Paid Ordinary Shares to carry full voting rights. Without this waiver, the Nil Paid Shares could only carry voting rights in proportion to which the Share is paid up.
7. A waiver in respect of Rule 6.6.1 to allow the lien provision in clause 18 in the Constitution to be read in place of this Rule.
8. An approval under Rule 8.1.6(b) to include the following restrictions in the Constitution:
 - a) LIC is restricted in relation to the voting securities that may be issued, as set out in clause 3.2(b) of the Constitution, thereby maintaining its co-operative structure;
 - b) ordinary shares in LIC may only be held by or transferred to certain persons, as set out in clause 3.2(c) of the Constitution;
 - c) ordinary shares in LIC shall not be held or acquired for the benefit of any person who is not a User, unless an exception is provided, as set out in clause 3.2(d) of the Constitution;

- d) no person shall hold a relevant interest in more than 5% of the total number of ordinary shares in LIC on issue, as set out in clause 6.3(a) of the Constitution;
- e) LIC may require Users who have spent in excess of the Minimum Purchase Amount to compulsorily acquire sufficient ordinary shares to meet the Shareholding Requirement, as set out in clause 7.1 of the Constitution;
- f) LIC may require Users who no longer spend the Minimum Purchase Amount to compulsorily dispose of their ordinary shares, as set out in clause 7.2 of the Constitution; and
- g) While the Dairy Industry Restructuring Act 2001 restricts voting rights in LIC, no person can exercise, or control the exercise of, more than 1% of the maximum number of votes exercisable at any meeting of LIC, as outlined at clause 20.4 of the Constitution.

DISCLOSURE OF FINANCIAL ASSISTANCE AS REQUIRED UNDER THE COMPANIES ACT 1993

A) Dividend Reinvestment Plan:

LIC proposes to provide financial assistance to those Shareholders who elect to participate in the Dividend Reinvestment Plan ("Dividend Plan") by agreeing to pay to the Guardian Trust Company of New Zealand Limited ("Guardian Trust"), as the Approved Holding Entity, the services and administration fees and brokerage and commission costs incurred for the purposes of the Dividend Plan. Craigs Investment Partners Limited ("Craigs") has been appointed as the Broker to purchase Ordinary Shares on the NZX market for the purposes of the Dividend Plan, and the moneys paid by LIC to Guardian Trust as Approved Holding Entity will include the administration fee, brokerage and commission costs of Craigs.

LIC is required to make disclosures to all Shareholders in respect of this financial assistance. The exact amount of the net costs depends upon the extent to which Shareholders participate in the Dividend Plan. However, the total amount of net costs in the next twelve months is estimated to be in the region of \$15,000.

In relation to the financial assistance provided for the Dividend Plan, the LIC Board resolved on 18 July 2024 that LIC should provide the financial assistance referred to above ("Dividend Plan Financial Assistance"), for the period of 12 months commencing 10 working days after sending this disclosure to Shareholders, and that the giving of the Dividend Plan Financial Assistance is in the best interest of LIC and is of benefit to Shareholders not receiving that financial assistance; and that the terms and conditions under which the Dividend Plan Financial Assistance is given are fair and reasonable to LIC and to the Shareholders not receiving that financial assistance. The grounds for the Board's conclusions are:

- a) The Dividend Plan Financial Assistance enables LIC to provide Shareholders with an efficient means of acquiring additional Shares in LIC without incurring transaction costs which they would otherwise incur;
- b) The Dividend Plan Financial Assistance is available to all eligible Shareholders, giving equal opportunity to participate in the benefits of the Dividend Plan;
- c) The additional Shares will be acquired by Craigs through on-market transactions, or the issue of Shares from treasury stock.
- d) Shareholders who do not participate will not be diluted or otherwise disadvantaged as no new Shares are being issued under the Dividend Plan;
- e) Participating Shareholders will pay no greater than the higher of:
 - i) the volume-weighted average price of shares trading on the NZX market during the 20 Business Days prior to the date that the Board determines to issue shares from treasury stock; and
 - ii) the average price paid by Craigs on behalf of Participants for on-market acquisitions.
- f) The Dividend Plan will enhance the liquidity in the market for the Shares, providing a more liquid market for both participating and non-participating Shareholders wishing to trade in LIC Shares;
- g) The Dividend Plan enables LIC to offer Shareholders a mechanism to reinvest dividends in Shares without resulting in unnecessary new capital being raised through the issue of new shares; and



- h)** The amount of Dividend Plan Financial Assistance is minimal in comparison to the benefits arising out of the Dividend Plan for Shareholders and LIC.

B) Voluntary Investment Scheme:

LIC proposes to provide financial assistance to those Directors and Senior Managers who are eligible and elect to participate in the Voluntary Investment Scheme ("Investment Scheme") by agreeing to pay to the Guardian Trust Company of New Zealand Limited ("Guardian Trust"), as the Approved Holding Entity, the services and administration fees and brokerage and commission costs incurred for the purposes of the Investment Scheme. Craigs has been appointed as the Broker to purchase Ordinary Shares on the NZX market for the purposes of the Investment Scheme, and the moneys paid by LIC to Guardian Trust as Approved Holding Entity will include the administration fee, brokerage and commission costs of Craigs.

LIC is required to make disclosures to all Shareholders in respect of this financial assistance. The exact costs depends upon the extent to which eligible Directors and Senior Managers participate in the Investment Scheme. However, the total costs in the next twelve months is estimated to be in the region of \$11,000.

In relation to the financial assistance provided for the Investment Scheme, the LIC Board resolved on 18 July 2024 that LIC should provide the financial assistance referred to above ("VIS Assistance"), for the period of 12 months commencing 10 working days after sending this disclosure to Shareholders, and that the giving of the VIS Assistance is in the best interest of LIC and is of benefit to Shareholders not receiving that financial assistance; and that the terms and conditions under which the VIS Assistance is given are fair and reasonable to LIC and to the Shareholders not receiving that financial assistance. The grounds for the Board's conclusions are:

- a)** The VIS Assistance enables LIC to provide eligible Directors and Senior Managers a means of acquiring additional shares in LIC through a fixed trading plan, given the risk they will often be information insiders, and without incurring transaction costs which they would otherwise incur;
- b)** The additional shares will be acquired by Craigs either through on-market transactions or the issue of Shares by LIC from treasury stock. Participating Directors and Senior

Managers will pay the average NZX market price paid by Craigs on market for those Shares. Participating Directors and Senior Managers will pay a uniform price in relation to a season.

- c) Participating Directors and Senior Managers will pay a uniform price in relation to a season.
- d) The Investment Scheme will enhance the liquidity in the market for the Shares, providing a more liquid market for both participating Directors and Senior Managers and non-participating Shareholders wishing to trade in LIC shares; and
- e) The Investment Scheme enables LIC to offer eligible Directors and Senior Managers a mechanism to invest in LIC Shares without resulting in unnecessary new capital being raised through the issue of new shares.
- f) The amount of financial assistance is minimal in comparison to the benefits arising out of the Investment Scheme for participating Directors and Senior Managers, non-participating Shareholders and LIC.

- a) The Employee Scheme is a valuable addition to the benefits available to the employees of LIC and will assist in retaining them as valuable staff;
- b) The Employee Scheme is a method of aligning the interests of employees with the interests of Shareholders and is an effective means of motivating future performance of the employees;
- c) Shareholders will not be diluted or otherwise disadvantaged as no new Shares are being issued under the Employee Scheme;
- d) The additional shares will be purchased through Craigs at the market price.
- e) The Employee Scheme will enhance the liquidity in the market for the Shares, providing a more liquid market for Shareholders wishing to trade in LIC Shares;
- f) The amount of financial assistance is minimal in comparison to the benefits arising out of the Employee Scheme for Shareholders and LIC.

C) LIC Employee Share Scheme:

LIC proposes to provide financial assistance to those employees who elect to participate in the LIC Employee Share Scheme ("Employee Scheme") which from the 1 April 2011 has been managed by Craigs, with Custodial Services Limited acting as custodian. LIC proposes to pay the Manager's and Custodian's fees and expenses (including brokerage). The amount of the fees will depend on how many employees participate in the Employee Scheme and the level of their contributions. However, it is estimated that the total fees in the next twelve months will be in the region of \$22,000.

In relation to the financial assistance provided for the Employee Scheme, the Board of LIC resolved on 18 July 2024 that LIC should provide the financial assistance referred to above ("Employee Scheme Assistance") for the period of 12 months commencing 10 working days after the date of sending this disclosure to Shareholders, and that the giving of the Employee Scheme Assistance is in the best interests of LIC, and is of benefit to Shareholders not receiving that financial assistance; and that the terms and conditions under which the Employee Scheme Assistance is given are fair and reasonable, to LIC, and to the Shareholders not receiving that financial assistance. The grounds for the Board's conclusions are:

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