# Livestock Improvement Corporation Limited (LIC) Financial Statements

For the year ended 31 May 2025

There's always room for improvement


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# Key Metrics

## Results at a glance

**$30.6m**
**Net profit after tax (NPAT)**
From $7.7m

**$295.1m**
**Revenue**
From $267.3m

**$21.7m**
**Underlying earnings***
From $13.9m

**$56.4m**
**Operating cashflow**
From $40.1m

**15c**
**Underlying earnings* per share**
From 10 cents

**7.3%**
**Underlying earnings* Return on equity**
From 5.0%

**$22.5m**
**R&D expense**
From $21.2m

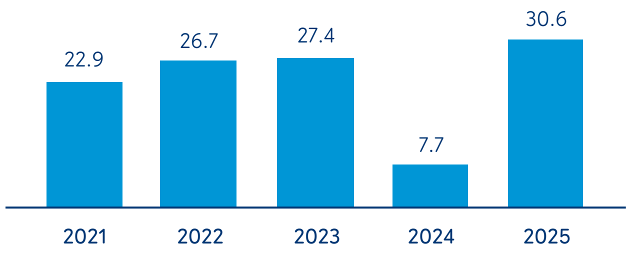
**12.22c**
**Dividend**
From 5.84 cents

*Non-GAAP financial information

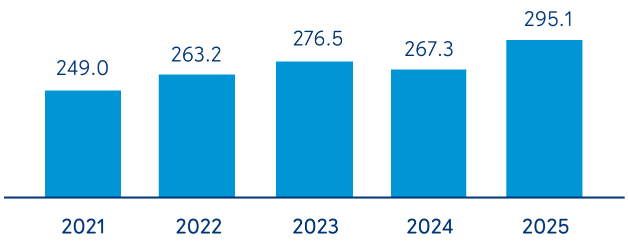
# Financial Trends

## These charts represent the key financial metrics for LIC to provide a historical summary of our performance.

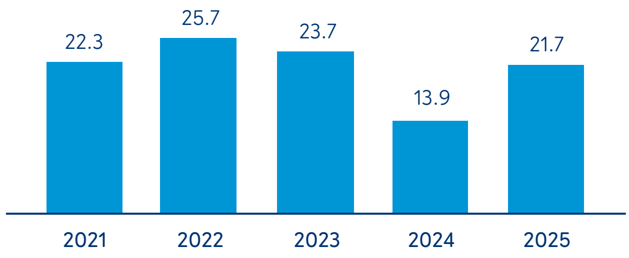
**Net profit after tax** ($m)*



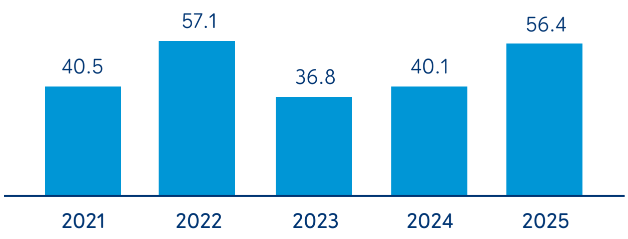

**Revenue** ($m)*



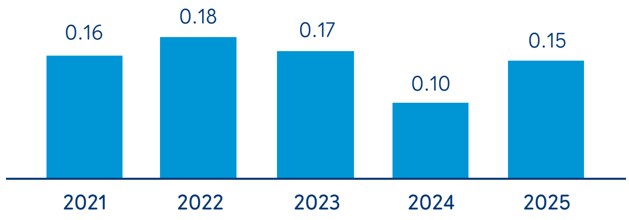

**Underlying earnings** ($m)**



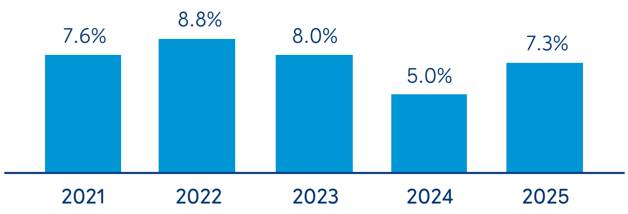

**Operating cashflow** ($m)*



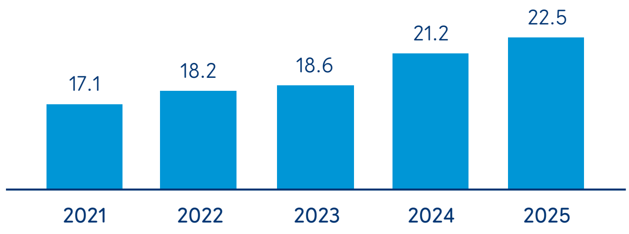

**Underlying earnings** per Share** (cents)



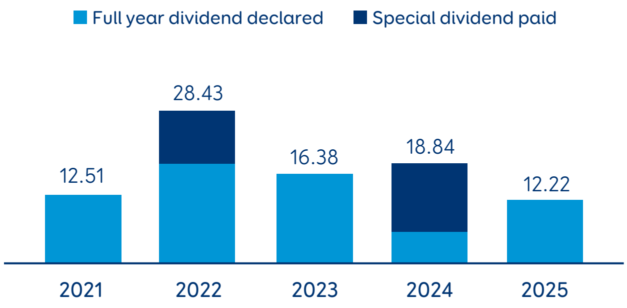

**Underlying earnings** Return on equity %**




**R&D Expense** ($m)*




**Total Dividends** (Cents Per Share)***




* Excludes discontinued operations - the Automation business was divested in June 2021.

** Non-GAAP financial information: excludes bull team and nil paid share revaluations and discontinued operations.

*** The full year dividend declared is paid in the subsequent year, while special dividends are paid within the year.

# Directors' Report 2024-25

## LIC reports positive full year results with increased dividend for shareholders

The LIC Board announces a positive year-end financial result as it continues to invest in innovations for its farmer shareholders. The co-operative ends the 2024-25 financial year with a solid profit and Directors have declared a dividend of 12.22 cents per share.

### Summary of financials:

- Total Revenue: $295.1 million, up 10.4% from $267.3 million last year
- Net Profit After Tax (NPAT): $30.6 million, up significantly from $7.7 million last year
- Underlying Earnings: $21.7 million, up 56.9% from $13.9 million last year
- Dividend: $17.4 million - 12.22 cents per share, representing 80% of Underlying Earnings
- Total assets: $392.0 million, up 9.3% from $358.6 million last year
- Strong balance sheet with no debt at year-end

The Board is pleased to deliver such a positive result for farmer owners, especially one which reflects the hard work that has been put in to deliver value behind the farm gate. In the past 12 months we have seen Non-Return Rates (NRR) of our fresh sexed semen lift to within 1% of conventional semen, we have had close to 1.5 million animals genotyped through our GeneMark™ Genomics programme and we have continued to work with our industry partners to increase the number of integrations available through our MINDA herd improvement platform.

Whether it's allowing farmers to generate more replacement heifers from their top performing cows, increased certainty around parentage or reducing time spent on paperwork our co-operative is focused on putting farmers and their herds at the heart of everything we do.

Revenue has increased by 10.4% as farmer owners invested further into their herds and the co-operative achieved a 14.8% improvement in underlying earnings, excluding the one-off negative impacts of the semen quality issue and the tax deductibility on commercial buildings change included in last year's financial result.

Recent years' investments in digital capability have resulted in a $4.0m increase in depreciation and amortisation compared to last year and operating cashflows increased by $16.3m year on year on the back of improved underlying earnings and prudent capital management.

The co-operative continued to invest into Research and Development, representing a 6.3% increase on last year at $22.5m.

With robust underlying earnings of 15 cents per share and a strong cash position, the Board declares an annual dividend of 12.22 cents per share, which equates to a fully imputed cash distribution of $17.4m.

## Outlook

The co-operative expects underlying earnings for 2025-26 to be in the range of $18-22 million, assuming no significant events, including climate events, or milk price change takes place between now and then.

From the 2025-26 year, LIC is planning a multi-year investment into customer facing systems and process improvements. This is an important initiative to replace aging systems and improve customer experience, making the co-operative easier to work with. This investment is predominantly into Software as a Service (SaaS) tools, the costs of which are generally expensed as incurred, rather than amortised over future financial periods. For the purpose of determining the underlying earnings of LIC, this expenditure will be excluded. Reported Net Profit After Tax (NPAT) will be negatively impacted by the implementation costs incurred within a given year.

The co-operative will also continue to invest in R&D with the next stage of its methane research due to get underway in the last quarter of 2025.

# Key Results and Position

## STATEMENT OF RESULTS FOR THE YEAR
For the year ended 31 May 2025

| *In thousands of New Zealand dollars* | Note | 2025 | 2024 |
|---|---|---|---|
| Revenue | 1 | 295,107 | 267,288 |
| Purchased materials | | (46,266) | (41,255) |
| People costs | | (128,559) | (119,758) |
| Depreciation and amortisation | 3,4,5 | (28,051) | (24,047) |
| Other expenses | 10 | (65,217) | (60,516) |
| Net finance income/(costs) | | 924 | 647 |
| Bull team revaluation | 2 | 12,292 | (8,768) |
| Fair value change in Nil Paid Share receivable | 6 | 47 | 191 |
| **Profit/(loss) before tax expense** | | **40,277** | **13,782** |
| Tax expense | 9 | (9,634) | (6,048) |
| **Profit/(loss) for the year** | | **30,643** | **7,734** |
| *Profit per Ordinary Share (excl. treasury stock)* | | *$0.22* | *$0.05* |
| | | | |
| **Other comprehensive income** | | | |
| *Items that will not be reclassified to profit or loss* | | | |
| Investment revaluations | 6 | 196 | 8,805 |
| Land and buildings revaluations | 3,6 | 1,482 | 3,715 |
| Tax effect of building revaluations | 9 | (348) | (784) |
| *Items that are or may be reclassified subsequently to profit or loss* | | | |
| Hedge revaluations | 6 | (208) | (251) |
| Tax effect of hedge revaluations | 9 | 58 | - |
| Foreign currency translation movements | 6 | (48) | 25 |
| | | **1,132** | **11,510** |
| **Comprehensive income for the year** | | **31,775** | **19,244** |
| | | | |
| ***Supplementary non-GAAP note to the results for the year:*** | | | |
| *Profit/(loss) for the year* | | *30,643* | *7,734* |
| *Plus/(less): Bull team revaluation* | | *(12,292)* | *8,768* |
| *Tax effect on Bull team revaluation* | | *3,442* | *(2,455)* |
| *Less: Fair value change in Nil Paid Share receivable* | | *(47)* | *(191)* |
| ***Underlying earnings*** | | ***21,746*** | ***13,856*** |
| *Underlying earnings per Ordinary Share (excl. treasury stock)* | | *$0.15* | *$0.10* |

## Key results and position

### STATEMENT OF POSITION FOR THE YEAR
As at 31 May 2025

| *In thousands of New Zealand dollars* | Note | 2025 | 2024 |
|---|---|---|---|
| Cash and cash equivalents | | 57,127 | 42,341 |
| Debtors | 8 | 36,705 | 34,952 |
| Other assets | 8 | 22,774 | 26,557 |
| Nil Paid Shares receivable | 6 | 722 | 972 |
| Bull team | 2 | 101,164 | 88,872 |
| Land, buildings and equipment - owned & leased | 3,5 | 125,845 | 118,997 |
| Software, goodwill and other intangible assets | 4 | 47,697 | 45,917 |
| **Total assets** | | **392,034** | **358,608** |
| | | | |
| Creditors | 7 | 25,187 | 23,831 |
| Borrowings | 7 | - | - |
| Deferred tax | 9 | 33,323 | 30,645 |
| Other liabilities | 11 | 35,152 | 29,221 |
| **Total liabilities** | | **93,662** | **83,697** |
| | | | |
| **Net assets** | | **298,372** | **274,911** |
| | | | |
| Share capital | 6 | 76,737 | 76,737 |
| Retained earnings | 6 | 172,896 | 150,567 |
| Other reserves | 6 | 48,739 | 47,607 |
| **Total equity** | | **298,372** | **274,911** |

**Director**

Date: 17 July 2025

**Director**

Date: 17 July 2025

## STATEMENT OF CASH FLOWS FOR THE YEAR
For the year ended 31 May 2025

| *In thousands of New Zealand dollars* | Note | 2025 | 2024 |
|---|---|---|---|
| Customer receipts | | 289,434 | 264,919 |
| Supplier payments | | (233,163) | (223,940) |
| Net tax payments | | (382) | (2,189) |
| Other operating cash flows | | 498 | 1,262 |
| **Net operating cash flows** | **13** | **56,387** | **40,052** |
| | | | |
| Software development | | (13,593) | (16,097) |
| Net sales/(purchases) of land, buildings and equipment | | (14,216) | (11,570) |
| Sale of investments | | - | 19,130 |
| Purchase of investments | | (8) | (100) |
| **Net investment cash flows** | | **(27,817)** | **(8,637)** |
| | | | |
| Payment of principal portion of lease liabilities | | (5,948) | (5,408) |
| Nil Paid Share receipts | | 78 | 165 |
| Dividends paid | | (8,095) | (38,446) |
| **Net financing cash flows** | | **(13,965)** | **(43,689)** |
| | | | |
| **Movement in cash for year** | | **14,605** | **(12,274)** |
| Cash and cash equivalents at the beginning of the year | | 42,341 | 54,596 |
| Currency movement on cash holdings | | 181 | 19 |
| **Cash and cash equivalents at end of the year** | | **57,127** | **42,341** |

***Components of cash and cash equivalents include:***

| | | |
|---|---|---|
| Cash | 1 | 1 |
| Bank balances | 22,126 | 22,340 |
| Term deposits | 35,000 | 20,000 |

## STATEMENT OF CHANGES IN POSITION FOR THE YEAR
For the year ended 31 May 2025

| *In thousands of New Zealand dollars* | Note | Share capital | Retained earnings | Other reserves | Total equity |
|---|---|---|---|---|---|
| Balance at 1 June 2024 | | 76,737 | 150,567 | 47,607 | **274,911** |
| Profit/(loss) for the year | | - | 30,643 | - | **30,643** |
| Dividends paid | | - | (8,314) | - | **(8,314)** |
| Hedge revaluations | | - | - | (150) | **(150)** |
| Foreign currency translation movements | | - | - | (48) | **(48)** |
| Investment revaluations | | - | - | 196 | **196** |
| Land and buildings revaluations | 3,6 | - | - | 1,134 | **1,134** |
| **Balance at 31 May 2025** | | **76,737** | **172,896** | **48,739** | **298,372** |
| | | | | | |
| 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** |

# 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 2025.

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 financial statements have been prepared on a historical cost basis, except for the Bull team, Land & Buildings and Investments, which are all measured at fair value.

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. No new or amended standards were adopted in the current year that had a significant impact.

NZ IFRS 18 Presentation and Disclosure in Financial Statements is effective for the year ending 31 May 2028 and will impact the presentation of the Statement of Results for the Year, with an allocation of income and expenses between operating, investing and financing categories, and new sub-totals such as Operating profit. Financial performance measures used to explain the Group financial performance in public communications outside the financial statements will also be required to be disclosed, and there is enhanced guidance on the aggregation and disaggregation of information. The Group is assessing the effect of applying NZ IFRS 18.

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.

## 1. Business analysis

### (i) Operating segments

The Group operates in four key operating segments, and across four key geographies as set out below. The information below reflects the 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
- Testing: herd testing, on-farm support and DNA and animal health testing services
- Farm software: data recording, tags and farm management information services
- International: provides bovine genetic breeding material and related services to offshore markets

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*

| 2025 | NZ market genetics | Testing | Farm software | International | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| External revenue | 119,933 | 79,442 | 61,800 | 16,037 | 17,895 | - | **295,107** |
| Inter-segment revenue | - | - | - | - | 2,133 | (2,133) | **-** |
| **Total revenue** | **119,933** | **79,442** | **61,800** | **16,037** | **20,028** | **(2,133)** | **295,107** |
| Depreciation & amortisation | (3,476) | (10,377) | (3,742) | (169) | (10,287) | - | **(28,051)** |
| **Segment gross profit before tax** | **31,138** | **11,609** | **33,232** | **2,963** | **2,263** | **-** | **81,205** |
| Bull team revaluation | | | | | | | 12,292 |
| Unallocated amounts | | | | | | | (53,220) |
| **Profit/(loss) before tax expense** | | | | | | | **40,277** |

| 2024 | NZ market genetics | Testing | Farm software | International | Other | Eliminations | Total |
|---|---|---|---|---|---|---|---|
| External revenue | 110,784 | 69,415 | 56,437 | 15,050 | 15,602 | - | **267,288** |
| Inter-segment revenue | - | - | - | - | 2,247 | (2,247) | **-** |
| **Total revenue** | **110,784** | **69,415** | **56,437** | **15,050** | **17,849** | **(2,247)** | **267,288** |
| Depreciation & amortisation | (3,465) | (9,752) | (3,383) | (157) | (7,290) | - | **(24,047)** |
| **Segment gross profit before tax** | **27,966** | **6,026** | **31,477** | **1,901** | **1,675** | **-** | **69,045** |
| Bull team revaluation | | | | | | | (8,768) |
| Unallocated amounts | | | | | | | (46,495) |
| **Profit/(loss) before tax expense** | | | | | | | **13,782** |

The Other operating segment includes research & development and support services. Unallocated amounts include personnel costs, other expenses and net finance costs. Operating segments have been updated, including comparatives, to more closely align with LIC's strategy. The changes consolidate LIC's testing services and provide greater insight on the performance of LIC's international business.

## 1. Business analysis (cont.)

**(ii) Geographic analysis**

*In thousands of New Zealand dollars*

| 2025 | New Zealand | Australia | Ireland | UK | Other | Total |
|---|---|---|---|---|---|---|
| Revenues | 275,211 | 8,857 | 4,049 | 2,961 | 4,029 | **295,107** |
| Non-current assets | 274,888 | 4,560 | 1,075 | 51 | - | **280,574** |
| **2024** | | | | | | |
| 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** |

Non-current assets includes the Bull team, Land, buildings & equipment, Software, goodwill and other intangible assets, Nil Paid Share receivable and investments.

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 $7.685 million (2024: $8.179 million).

## 2. Bull Team

The bull team is the cornerstone asset of LIC's genetics business. The 826 total bulls (2024: 810 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 correlates to movements in the cow population and Farmgate Milk Price. 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* | 2025 | 2024 |
|---|---|---|
| Opening balance | 88,872 | 97,640 |
| Bull team revaluation | 12,292 | (8,768) |
| **Closing balance** | **101,164** | **88,872** |

**Key drivers of the model:**

| | | |
|---|---|---|
| Forecasted Fonterra Farmgate Milk Price* | $9.50 | $8.85 |
| WACC annualised post tax rate | 7.25% - 8.74% | 8.11% - 8.76% |
| Number of bulls in the team | 122 | 124 |
| Average % of run-off profile (years 2-5) | 45% | 42% |

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

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

| | | |
|---|---|---|
| Change in the bull run-off profile | $8.4m - average of a 5% shift across years 2-5 | |
| Reduction of 5% in sales demand (due to unforeseen reduction in milk price, cow population or other significant events) | $7.4m | $3.1m |
| WACC moves 100 basis points | $3.0m | $2.5m |

## 3. Land, buildings and equipment

Land and buildings are carried at fair value, determined by an independent valuer as at April 2025 (most recent full valuation as at April 2024). Fair value is based on comparable sales for land and based on depreciated replacement cost for buildings. Revaluations are primarily 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* | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Land** | **Buildings** | **Equipment** | **Total** | **Land** | **Buildings** | **Equipment** | **Total** |
| Opening balance | 38,733 | 55,701 | 24,563 | **118,997** | 37,990 | 51,500 | 24,057 | **113,547** |
| Additions | - | 5,133 | 9,532 | **14,665** | - | 4,852 | 7,331 | **12,183** |
| Disposals | - | (451) | (73) | **(524)** | - | - | (126) | **(126)** |
| Depreciation | - | (3,362) | (7,158) | **(10,520)** | - | (3,048) | (6,906) | **(9,954)** |
| Revaluation | 360 | 1,232 | - | **1,592** | 743 | 2,650 | - | **3,393** |
| Foreign exchange | - | - | 18 | **18** | - | - | (2) | **(2)** |
| Right of use leased assets movement - note 5 | - | 2,426 | (809) | **1,617** | - | (253) | 209 | **(44)** |
| **Closing balance** | **39,093** | **60,679** | **26,073** | **125,845** | **38,733** | **55,701** | **24,563** | **118,997** |
| *Value if carried at cost* | *11,726* | *24,456* | *N/A* | | *11,726* | *23,135* | *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* | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Software & IP** | **Goodwill** | **Database** | **Total** | **Software & IP** | **Goodwill** | **Database** | **Total** |
| Opening balance | 33,046 | 2,371 | 10,500 | **45,917** | 25,798 | 2,363 | 10,500 | **38,661** |
| Additions | 13,808 | - | - | **13,808** | 16,081 | - | - | **16,081** |
| Disposals/impairment | (183) | - | - | **(183)** | - | - | - | **-** |
| Amortisation | (11,813) | - | - | **(11,813)** | (8,842) | - | - | **(8,842)** |
| Foreign exchange | (20) | (12) | - | **(32)** | 9 | 8 | - | **17** |
| **Closing balance** | **34,838** | **2,359** | **10,500** | **47,697** | **33,046** | **2,371** | **10,500** | **45,917** |

## 4. Software and other intangibles (cont.)

At reporting date, software includes $8.024 million (2024: $11.595 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:

| *In thousands of New Zealand dollars* | 2025 | | | 2024 | | |
|---|---|---|---|---|---|---|
| | NZ Market Genetics, Farm software and Testing CGU | International CGU | Total | NZ Market Genetics, Farm software and Testing CGU | International CGU | Total |
| LIC database | 10,500 | - | **10,500** | 10,500 | - | **10,500** |
| Goodwill | - | 2,359 | **2,359** | - | 2,371 | **2,371** |
| **Total** | **10,500** | **2,359** | **12,859** | **10,500** | **2,371** | **12,871** |

International CGU relates to two separate CGU's - LIC Ireland and Beacon Automation. The LIC database and each of the International CGU Goodwill recoverable amounts have been separately tested using a value in use method.

For the LIC database and International 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% (2024: 1.5%) for the LIC database and International CGU Goodwill. The discount rate applied is reviewed and updated annually for movements in published Treasury risk-free rates and is 8.5-10.6% for the LIC database and International CGU Goodwill (2024: 8.7-10.9% for the LIC database and International 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 5.2% (2024: 5.1%).

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.

## 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* | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Buildings** | **Equipment** | **Vehicles** | **Total** | **Buildings** | **Equipment** | **Vehicles** | **Total** |
| Opening Balance | 12,399 | 385 | 7,327 | **20,111** | 12,652 | 180 | 7,323 | **20,155** |
| Depreciation | (1,591) | (166) | (3,961) | **(5,718)** | (1,471) | (142) | (3,638) | **(5,251)** |
| Additions | 4,010 | 337 | 3,216 | **7,563** | 1,420 | 347 | 3,871 | **5,638** |
| Disposals/modifications | 7 | (139) | (96) | **(228)** | (202) | - | (229) | **(431)** |
| **Closing balance** | **14,825** | **417** | **6,486** | **21,728** | **12,399** | **385** | **7,327** | **20,111** |
| *Lease terms* | *3-28 years* | *1-9 years* | *1-7 years* | | *2-28 years* | *2-5 years* | *2-8 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* | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Buildings** | **Equipment** | **Vehicles** | **Total** | **Buildings** | **Equipment** | **Vehicles** | **Total** |
| Within 1 year | 1,490 | 164 | 3,390 | **5,044** | 1,341 | 72 | 3,549 | **4,962** |
| Between 1 to 5 years | 6,017 | 262 | 3,403 | **9,682** | 4,612 | 161 | 4,301 | **9,074** |
| More than 5 years | 8,587 | - | - | **8,587** | 7,662 | - | - | **7,662** |
| **Closing balance** | **16,094** | **426** | **6,793** | **23,313** | **13,615** | **233** | **7,850** | **21,698** |

### (iii) Lease related amounts in the Statement of Results

| *In thousands of New Zealand dollars* | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Buildings** | **Equipment** | **Vehicles** | **Total** | **Buildings** | **Equipment** | **Vehicles** | **Total** |
| Depreciation | 1,591 | 166 | 3,961 | **5,718** | 1,471 | 142 | 3,638 | **5,251** |
| Interest expense | 636 | 24 | 489 | **1,149** | 621 | 17 | 479 | **1,117** |
| Variable lease payments | - | - | 852 | **852** | - | - | 980 | **980** |
| Short-term and low-value leases | - | 7 | - | **7** | - | 1 | - | **1** |
| **Total amount** | **2,227** | **197** | **5,302** | **7,726** | **2,092** | **160** | **5,097** | **7,349** |

The Group had total non-variable cash outflows for leases of $6.782 million in 2025 ($6.086 million in 2024).

## 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 (2024: 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 $0.722 million (2024: $0.972 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 6.5% (2024: 8.6%).

**(iii) Other reserves and equity**

| *In thousands of New Zealand dollars* | **Hedge revaluation reserve** | **Investment revaluation reserve** | **Land & building revaluation reserve** | **Foreign currency translation reserve** | **Other reserves** |
|---|---|---|---|---|---|
| Balance at 1 June 2024 | (80) | 1,456 | 46,291 | (60) | **47,607** |
| Revaluations | (150) | 196 | 1,134 | (48) | **1,132** |
| **Balance at 31 May 2025** | **(230)** | **1,652** | **47,425** | **(108)** | **48,739** |
| | | | | | |
| 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** |

**In the 2024 year, LIC sold it's shareholding in National Milk Records Plc for £9.019 million (NZD $18.963 million). Associated accumulated revaluations were reclassified from Other reserves to Retained earnings on divestment.*

**(iv) Market capitalisation**

As at 31 May 2025, the Group's market capitalisation of $134.501 million (2024: $172.365 million) was below the carrying value of net assets of $298.372 million (2024: $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 as with 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% (2024: 1.5%). The discount rate applied is reviewed and updated annually for movements in published Treasury risk-free rates and is 8.5% (2024: 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.

## 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.

| *In thousands of New Zealand dollars* | 2025 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 |
| Creditors | 25,187 | - | - | **25,187** | 23,831 | - | - | **23,831** |
| **Total** | **25,187** | **-** | **-** | **25,187** | **23,831** | **-** | **-** | **23,831** |

The Group has bank funding facilities in place until February 2026 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 2025 was 6.5% (2024: 7.3%). A 1.0% increase in interest rates would increase interest paid and reduce profit after tax by approximately $0.018 million (2024: $0.001 million).

## 8. Debtors and other assets

### (i) Debtors

Bad debts of $0.053 million have been expensed during the year (2024: $0.020 million), and 91.3% of trade receivables are not past due (2024: 87.8%).

### (ii) Other assets

| *In thousands of New Zealand dollars* | 2025 | 2024 |
|---|---|---|
| Inventories | 16,703 | 20,808 |
| Investments | 5,145 | 4,941 |
| Other livestock | 926 | 808 |
| **Total** | **22,774** | **26,557** |

Inventories utilised and expensed during the period amounted to $31.613 million (2024: $29.176 million). Net inventories written on in 2025 totalled $0.201 million (2024: $0.095 million written off), and comprised of $0.396 million of stock written off and $0.597 million of previously written off stock written back on into inventory.

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 (2024: $3.358 million).

## 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

| *In thousands of New Zealand dollars* | 2025 | 2024 |
|---|---|---|
| Profit/(loss) for the year | 30,643 | 7,734 |
| Tax expense | 9,634 | 6,048 |
| **Profit/(loss) before tax expense** | **40,277** | **13,782** |
| | | |
| Tax at 28% NZ company tax rate | 11,278 | 3,859 |
| Effect of overseas income | (93) | (34) |
| Non-deductible items | (1,449) | (521) |
| Adjustments from prior periods | (102) | (899) |
| Impact of changes to building depreciation | - | 3,643 |
| **Tax expense** | **9,634** | **6,048** |
| | | |
| Current tax expense | 7,246 | 3,919 |
| Deferred tax expense | 2,388 | 2,129 |
| Imputation credits available | 13,117 | 9,468 |

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 decreased the tax base for these assets, giving rise to an increased temporary difference between the carrying cost and tax base and resulted 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

| *In thousands of New Zealand dollars* | As at 31 May 2025 | Through Profit/(loss) | Through Other reserves | As at 31 May 2024 | Through Profit/(loss) | Through Other reserves | As at 31 May 2023 |
|---|---|---|---|---|---|---|---|
| Bull team & livestock | **27,741** | 3,320 | - | **24,421** | (2,414) | - | **26,835** |
| Buildings & equipment | **6,433** | 235 | 348 | **5,850** | 3,304 | 784 | **1,762** |
| Intangible assets | **2,940** | - | - | **2,940** | 1,480 | - | **1,460** |
| Other | **(3,791)** | (1,167) | (58) | **(2,566)** | (241) | - | **(2,325)** |
| **Total** | **33,323** | **2,388** | **290** | **30,645** | **2,129** | **784** | **27,732** |

## 10. Other expenses

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

| *In thousands of New Zealand dollars* | 2025 | 2024 |
|---|---|---|
| **Audit and audit related services** | | |
| Audit of the financial statements | 232 | 222 |
| Agreed upon procedures* | 26 | 24 |
| GHG scope 1 & 2 assurance as it relates to year end | 25 | - |
| **Total audit and audit related services** | **283** | **246** |
| Tax - compliance services | 78 | - |
| **Total** | **361** | **246** |

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

As part of business activities, LIC incurs research and development expenses while working on a number of projects.

| *In thousands of New Zealand dollars* | 2025 | 2024 |
|---|---|---|
| Research & Development expenses | 22,549 | 21,215 |

## 11. Other liabilities

| *In thousands of New Zealand dollars* | 2025 | 2024 |
|---|---|---|
| Provisions for employee entitlements | 10,194 | 7,596 |
| Provision for sire proving rebate | 2,441 | 2,522 |
| Derivatives used for hedging | 295 | 87 |
| Provision for tax | (1,712) | (3,259) |
| Lease liabilities - current | 5,044 | 4,962 |
| Lease liabilities - non-current | 18,269 | 16,736 |
| Other | 621 | 577 |
| **Total** | **35,152** | **29,221** |

The provision for sire proving rebate represents a rolling three years of expected rebate payments, with between $0.8 - $1.0 million due to be paid in each of the next three years, discounted to 31 May 2025.

## 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:

| *In thousands of New Zealand dollars* | **2025** | **2024** |
|---|---|---|
| Remuneration of key Management and Directors | 4,622 | 4,960 |
| Sale of goods and services to key Management and Directors | 996 | 468 |
| Purchases of goods and services from key Management and Directors | - | 3 |

Directors of the Company and their related entities hold 617,474 Ordinary Shares, representing 0.42% of shares on issue (2024: 378,001 Ordinary Shares, representing 0.26%).

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

| *In thousands of New Zealand dollars* | **2025** | **2024** |
|---|---|---|
| **Profit/(loss) for the year** | **30,643** | **7,734** |
| *Adjusted for:* | | |
| Depreciation and amortisation on all assets | 28,051 | 24,047 |
| Bull team revaluation | (12,292) | 8,768 |
| Deferred tax expense | 2,388 | 2,129 |
| Working capital movements and other non-cash items | 7,597 | (2,626) |
| **Net operating cash flows** | **56,387** | **40,052** |

## 14. Subsequent events

After 31 May 2025, a dividend of 12.22 cents per Ordinary Share was proposed by the Directors in relation to the 2025 year, or $17.397 million (2024: 5.84 cents per Ordinary Share, or $8.314 million).

# Independent Auditor's Report

To the shareholders of Livestock Improvement Corporation Limited

**Report on the audit of the consolidated financial statements**

## Opinion

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 May 2025;
- the consolidated statements of results, changes in position and cash flows for the year then ended; and
- notes, including material accounting policy information and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Livestock Improvement Corporation Limited (the **Company**) and its subsidiaries (the **Group**) on pages 8 to 22 present fairly in all material respects:

- the Group's financial position as at 31 May 2025 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 (**NZ IFRS**) issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board.

## 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 Livestock Improvement Corporation Limited 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**), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with Professional and Ethical Standards 1 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 provided other services to the Group in relation to assurance services, agreed upon procedures engagements, and taxation compliance services for the R&D tax incentive scheme. 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.

KPMG

## 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 $1,310,000 determined with reference to a benchmark of the Group's 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 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 |
|---|---|
| **Valuation of the Bull Team** | |
| *Refer to Note 2 to the Financial Statements.*<br><br>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:<br><br>– Projected sales volumes and pricing;<br>– Discount rates applied; and<br>– Runoff Profile of the bulls.<br><br>We compared sales and costs growth, and inflation rates to historical data and published market forecast data where available.<br><br>We utilised our valuation specialists to review market and industry data to assess management's discount rate applied to the valuation model.<br><br>We assessed the runoff profile of the bulls against historical data and found the inputs to be comparable.<br><br>We considered the adequacy of the related financial statement disclosures.<br><br>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*<br><br>The Group has a Database intangible asset of $10.5m with an indefinite useful life.<br><br>The significant cash generating unit (CGU) holding this asset is tested twice a year for | We challenged management on the reasonableness of the assumptions included in the cashflow forecast models, with particular attention paid to the following:<br><br>– Assessing management's future sales and growth assumptions compared to external market and industry data and historical performance of the CGU and the |

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| The key audit matter | How the matter was addressed in our audit |
|---|---|
| impairment using a discounted cashflow model to determine the recoverable amount.<br><br>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 cashflow model to determine the recoverable amount of the Group.<br><br>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 and the Group, including considering future economic and market conditions. | Group. We used our own valuation specialists to assist us with the consideration of the discount rates;<br><br>– Comparing management's previous forecasts to actual results achieved in the CGU and the Group; and<br><br>– Performing sensitivity analysis around the key assumptions used in the model.<br><br>We had no matters to report as a result of our procedures. |

## Other information

The directors, on behalf of the Group, are responsible for the other information. The other information comprises the Key Metrics, Financial Trends and the Directors Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

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 the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated.

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

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to directors.

## Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders. 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, none of KPMG, any entities directly or indirectly controlled by KPMG, or any of their respective members or employees, accept or assume any responsibility and deny all liability to anyone other than the shareholders for our audit work, this independent auditor's report, or any of the opinions we have formed.

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## Responsibilities of directors for the consolidated financial statements

The directors, on behalf of the  Group, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board and the International Financial Reporting Standards issued by the International Accounting Standards Board;
- implementing the 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 of the  Group 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.

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## Auditor's responsibilities for the audit of the consolidated 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 it 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 the consolidated financial statements.

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

https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/

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

The engagement partner on the audit resulting in this independent auditor's report is David Gates.

For and on behalf of:

KPMG

KPMG
Wellington
17 July 2025

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Hamilton
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