

Livestock Improvement Corporation Limited (LIC)

Interim Financial Statements

For the six months ended 30 November 2024



There's always room for improvement





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Key results and position

STATEMENT OF RESULTS FOR THE PERIOD For the six months ended 30 November 2024

		SIX MONTHS ENDED		YEAR ENDED
<i>In thousands of New Zealand dollars</i>		30 Nov 2024	30 Nov 2023	31 May 2024
	Note	Unaudited	Unaudited	Audited
Revenue	1	185,666	171,949	267,288
Purchased materials		(21,694)	(20,931)	(41,255)
People costs		(72,342)	(68,619)	(119,758)
Depreciation and amortisation		(13,553)	(11,358)	(24,047)
Other expenses		(31,605)	(31,020)	(60,516)
Net finance costs		151	37	647
Bull team revaluation	2	7,512	-	(8,768)
Fair value change in Nil Paid Share receivable		(14)	284	191
Profit/(loss) before tax expense		54,121	40,342	13,782
Tax expense		(15,046)	(11,361)	(6,048)
Profit/(loss) for the period		39,075	28,981	7,734
<i>Profit per Ordinary Share (excl. treasury stock)</i>		<i>\$0.27</i>	<i>\$0.20</i>	<i>\$0.05</i>
Hedge revaluations	3	304	(152)	(251)
Foreign currency translation movements	3	116	(27)	25
Investment revaluations	3	251	9,573	8,805
Land and buildings revaluations		-	-	3,715
Tax effect of building revaluations		-	-	(784)
		671	9,394	11,510
Comprehensive income for the year		39,746	38,375	19,244
Supplementary non-GAAP note to the results for the period:				
Profit/(loss) for the period		39,075	28,981	7,734
Plus/(less): Bull team revaluation		(7,512)	-	8,768
Tax effect on Bull team revaluation		2,103	-	(2,455)
Plus/(less): Fair value change in Nil Paid Share receivable		14	(284)	(191)
Underlying earnings		33,680	28,697	13,856
<i>Underlying earnings per Ordinary Share (excl. treasury stock)</i>		<i>\$0.24</i>	<i>\$0.20</i>	<i>\$0.10</i>

Key results and position

STATEMENT OF POSITION

As at 30 November 2024

		SIX MONTHS ENDED		YEAR ENDED
<i>In thousands of New Zealand dollars</i>		30 Nov 2024	30 Nov 2023	31 May 2024
	Note	Unaudited	Unaudited	Audited
Cash		29,704	38,281	42,341
Debtors		89,350	86,673	34,952
Other assets		26,205	25,932	26,557
Nil Paid Shares receivable		668	1,887	972
Bull team	2	96,384	97,640	88,872
Land, buildings and equipment - owned & leased	4	119,876	117,865	118,997
Software, goodwill and other intangible assets	4	47,873	42,265	45,917
Total assets		410,060	410,543	358,608
Creditors		29,897	27,246	23,831
Borrowings		-	-	-
Deferred tax		32,248	28,898	30,645
Other liabilities		41,572	41,853	29,221
Total liabilities		103,717	97,997	83,697
Net assets		306,343	312,546	274,911
Share capital	3	76,737	76,737	76,737
Retained earnings		181,328	190,318	150,567
Other reserves	3	48,278	45,491	47,607
Total equity		306,343	312,546	274,911



Director

Date: 22 January 2025



Director

Date: 22 January 2025

Key results and position

STATEMENT OF CASHFLOWS FOR THE PERIOD

For the six months ended 30 November 2024

	SIX MONTHS ENDED		YEAR ENDED	
<i>In thousands of New Zealand dollars</i>	30 Nov 2024	30 Nov 2023	31 May 2024	
	Note	Unaudited	Unaudited	Audited
Customer receipts		130,112	122,701	264,919
Supplier payments		(118,441)	(118,112)	(223,940)
Net tax payments		(236)	(1,656)	(2,189)
Other operating cash flows		(75)	436	1,262
Net operating cash flows	6	11,360	3,369	40,052
Software development		(7,519)	(7,647)	(16,097)
Net sales/(purchases) of land, buildings and equipment		(5,854)	(8,049)	(11,570)
Sale / (purchase) of investments		(8)	19,022	19,030
Net investment cash flows		(13,381)	3,326	(8,637)
Payment of principal portion of lease liabilities		(2,693)	(2,384)	(5,408)
Nil Paid Share receipts		71	163	165
Dividends paid		(8,095)	(20,762)	(38,446)
Net financing cash flows		(10,717)	(22,983)	(43,689)
Movement in cash for the period		(12,738)	(16,288)	(12,274)
Cash at beginning of the year		42,341	54,596	54,596
Currency movement on cash holdings		101	(27)	19
Cash at end of the period		29,704	38,281	42,341

Key results and position

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD

For the six months ended 30 November 2024

<i>In thousands of New Zealand dollars</i>	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 period		-	39,075	-	39,075
Dividends paid		-	(8,314)	-	(8,314)
Hedge revaluations	3	-	-	304	304
Foreign currency translation movements	3	-	-	116	116
Investment revaluations	3	-	-	251	251
Balance at 30 November 2024 (Unaudited)		76,737	181,328	48,278	306,343
Balance at 1 June 2023		76,737	170,742	50,015	297,494
Profit/(loss) for the period		-	28,981	-	28,981
Dividends paid		-	(23,323)	-	(23,323)
Hedge revaluations		-	-	(152)	(152)
Foreign currency translation movements		-	-	(27)	(27)
Investment revaluations		-	-	9,573	9,573
Reclassification of investment revaluations on divestment		-	13,918	(13,918)	-
Balance at 30 November 2023 (Unaudited)		76,737	190,318	45,491	312,546
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		-	-	2,931	2,931
Reclassification of investment revaluations on divestment		-	13,918	(13,918)	-
Balance at 31 May 2024 (Audited)		76,737	150,567	47,607	274,911

Accounting policies

Accounting entity

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

These financial statements should be read in conjunction with the annual report for the year ended 31 May 2024.

Basis of preparation

i. Statement of compliance

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

ii. Basis of measurement

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

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

iii. Functional and presentation currency

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

iv. Use of estimates and judgements

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

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

Accounting policies have been applied consistently with prior periods.

vi. Climate risk

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

Notes to the Financial Statements

1. Business analysis

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

- NZ market genetics: provides bovine genetic breeding material and related services, predominately to dairy farmers.
- Herd testing: 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

SIX MONTHS ENDED 30 NOV 2024 (Unaudited)	NZ market genetics	Herd testing	Farm software	Diagnostics	Other	Eliminations	Total
External revenue	106,841	17,653	29,155	15,664	16,353	-	185,666
Inter-segment revenue	-	-	-	-	1,639	(1,639)	-
Total revenue	106,841	17,653	29,155	15,664	17,992	(1,639)	185,666
Depreciation & amortisation	(1,011)	(2,901)	(952)	(2,073)	(6,616)	-	(13,553)
Segment gross profit before tax	70,241	8,365	21,731	7,874	7,966	-	116,177
Bull team revaluation							7,512
Unallocated amounts							(69,568)
Profit/(loss) before tax expense							54,121

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

Notes to the Financial Statements

1. Business analysis (cont.)

In thousands of New Zealand dollars

YEAR ENDED 31 MAY 2024 (Audited)	NZ market genetics	Herd testing	Farm software	Diagnostics	Other	Eliminations	Total
External revenue	110,689	39,831	54,187	29,314	33,267	-	267,288
Inter-segment revenue	-	-	-	-	7,830	(7,830)	-
Total revenue	110,689	39,831	54,187	29,314	41,097	(7,830)	267,288
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

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

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

2. Bull team

The bull team is the cornerstone asset of LIC's genetics business. The 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 period. 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 changes 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. Further information on the bull team and key drivers of the valuation is available in the annual report for the year ended 31 May 2024.

Notes to the Financial Statements

3. Equity

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

At reporting date there were 142,344,836 Ordinary Shares on issue, excluding 5,337,584 shares held as treasury stock (2023: 142,344,836 Ordinary Shares, excluding 5,337,584 shares held as treasury stock).

Other reserves and equity

<i>In thousands of New Zealand dollars</i>	Hedge revaluation reserve	Investment revaluation reserve	Land & building revaluation reserve	Foreign currency translation reserve	Other Reserves
Balance at 1 June 2024	(80)	1,456	46,291	(60)	47,607
Revaluations	304	251	-	116	671
Balance at 30 November 2024 (Unaudited)	224	1,707	46,291	56	48,278
Balance at 1 June 2023	171	6,569	43,360	(85)	50,015
Revaluations	(152)	9,573	-	(27)	9,394
Reclassification of investment revaluations on divestment*	-	(13,918)	-	-	(13,918)
Balance at 30 November 2023 (Unaudited)	19	2,224	43,360	(112)	45,491
Balance at 1 June 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 (Audited)	(80)	1,456	46,291	(60)	47,607

*In the 2023 financial year, LIC sold its 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.

Notes to the Financial Statements

4. Acquisitions and disposals

<i>In thousands of New Zealand dollars</i>	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2024	30 Nov 2023	31 May 2024
	Unaudited	Unaudited	Audited
(i) Land, buildings and equipment			
Acquisitions *	6,146	8,345	12,183
Disposals	(86)	(78)	(126)
(ii) Software and other intangible assets			
Acquisitions	7,478	7,656	16,081
Disposals/Impairment	-	-	-

*Excludes the impact of NZ IFRS 16: Leases, which increased Land, buildings and equipment by \$2.898 million in 2024 (November 2023: \$3.608 million, May 2024: \$5.638 million).

5. Transactions with Related Parties, Directors and Management

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

<i>In thousands of New Zealand dollars</i>	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2024	30 Nov 2023	31 May 2024
	Unaudited	Unaudited	Audited
Remuneration of key Management and Directors	2,480	2,745	4,960
Sale of goods and services to key Management and Directors	650	329	468
Purchases of goods and services from key Management and Directors	-	3	3

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

<i>In thousands of New Zealand dollars</i>	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2024	30 Nov 2023	31 May 2024
	Unaudited	Unaudited	Audited
Profit for the period	39,075	28,981	7,734
Adjusted for non-cash items:			
Depreciation and amortisation on all assets	13,553	11,358	24,047
Bull team revaluation	(7,512)	-	8,768
Deferred tax expense	1,603	1,166	2,129
Working capital movements and other non-cash items	(35,359)	(38,136)	(2,626)
Net operating cash flows	11,360	3,369	40,052

Notes to the Financial Statements

7. Audit

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

8. Dividend

In relation to the 2024 financial year LIC declared a dividend of 5.84 cents per Ordinary Share, or \$8.314 million (2023: 16.38 cents per Ordinary Share, or \$23.323 million). The fully imputed dividend was paid on 16 August 2024.

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