



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

For the six months ended
30 November 2020



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Key results and position

STATEMENT OF RESULTS FOR THE PERIOD For the six months ended 30 November 2020

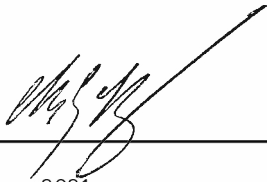
	Note	SIX MONTHS ENDED		YEAR ENDED
		30 Nov 2020 Unaudited	30 Nov 2019 Unaudited	31 May 2020 Audited
<i>In thousands of New Zealand dollars</i>				
Revenue	1	169,683	163,420	253,986
Purchased materials		(23,387)	(20,053)	(40,084)
People costs		(60,715)	(57,842)	(103,895)
Depreciation and amortisation		(13,627)	(15,287)	(30,812)
Research and development		(6,710)	(6,894)	(16,007)
Other expenses		(18,836)	(20,195)	(35,833)
Net finance costs		(909)	(557)	(571)
Bull team revaluation		-	-	(7,220)
Profit/(loss) before tax expense		45,499	42,592	19,564
Tax expense		(12,062)	(12,308)	(2,077)
Profit/(loss) for the period		33,437	30,284	17,487
Hedge revaluations		(141)	(59)	(29)
Investment revaluations		(681)	(3,078)	(3,415)
Land & buildings revaluations		-	-	1,160
		(822)	(3,137)	(2,284)
Comprehensive income for the period		32,615	27,147	15,203
<i>Profit per Ordinary Share (excl. treasury stock)</i>		<i>\$ 0.23</i>	<i>\$ 0.21</i>	<i>\$ 0.12</i>
Supplementary non-GAAP note to the results for the period:				
Profit/(loss) for the period		33,437	30,284	17,487
Less Bull team revaluation		-	-	7,220
Tax effect on Bull team revaluation		-	-	(2,022)
Underlying earnings		33,437	30,284	22,685
<i>Underlying earnings per Ordinary Share (excl. treasury stock)</i>		<i>\$ 0.23</i>	<i>\$ 0.21</i>	<i>\$ 0.16</i>

Key results and position

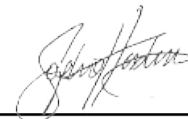
STATEMENT OF POSITION As at 30 November 2020

	Note	SIX MONTHS ENDED		YEAR ENDED
		30 Nov 2020 Unaudited	30 Nov 2019 Unaudited	31 May 2020 Audited
<i>In thousands of New Zealand dollars</i>				
Cash		11,691	8,517	16,488
Debtors		87,435	80,199	41,144
Bull team		115,508	122,728	115,508
Land, buildings and equipment	3	94,727	94,824	95,394
Software, goodwill and other intangible assets		65,676	72,099	67,810
Nil Paid Shares Receivable		12,353	15,779	15,727
Other assets		26,681	30,562	27,869
Total assets		414,071	424,708	379,940
Creditors		42,588	39,559	22,363
Borrowings		16,109	22,121	1,616
Deferred tax		33,359	39,457	34,543
Other liabilities		19,335	21,383	31,176
Total liabilities		111,391	122,520	89,698
Net assets		302,680	302,188	290,242
Share capital	2	76,737	78,432	78,432
Retained earnings		185,658	183,468	170,720
Other reserves	2	40,285	40,288	41,090
Total equity		302,680	302,188	290,242

Director
Date: 27 January 2021



Director
Date: 27 January 2021



Key results and position

STATEMENT OF CASH FLOWS FOR THE PERIOD For the six months ended 30 November 2020

	Note	SIX MONTHS ENDED		YEAR ENDED
		30 Nov 2020	30 Nov 2019	31 May 2020
<i>In thousands of New Zealand dollars</i>				
		Unaudited	Unaudited	Audited
Customer receipts		122,128	125,760	253,702
Supplier payments		(100,793)	(101,722)	(192,981)
Tax payments		(10,294)	(7,882)	(8,385)
Other operating cash flows		(263)	(403)	(318)
Net operating cash flows	5	10,778	15,753	52,018
Software development		(5,338)	(8,278)	(13,822)
Net sales/(purchases) of land, buildings and equipment		(5,462)	(5,498)	(6,229)
Other investment cash flows		(612)	(1,350)	(1,350)
Net investment cash flows		(11,412)	(15,126)	(21,401)
Drawdown/(repayment) of bank debt		14,500	17,500	(3,000)
Payment of principal portion of lease liabilities		(1,614)	(1,373)	(2,964)
Investment share repurchases		(1,695)	-	-
Nil Paid Share payments		290	329	386
Dividends paid		(15,398)	(13,112)	(13,117)
Net financing cash flows		(3,917)	3,344	(18,695)
Movement in cash for period		(4,551)	3,971	11,922
Cash at beginning of the year		16,488	4,529	4,529
Currency movement on cash holdings		(246)	17	37
Cash at end of the period		11,691	8,517	16,488

STATEMENT OF CHANGES IN POSITION FOR THE PERIOD For the six months ended 30 November 2020

	Share capital	Retained earnings	Other reserves	Total equity
<i>In thousands of New Zealand dollars</i>				
Balance at 1 June 2019	78,432	169,765	43,240	291,437
Profit/(loss) for the period	-	30,028	256	30,284
Dividends paid	-	(15,623)	(71)	(15,694)
Adjustments on adoption of NZ IFRS 16	-	(702)	-	(702)
Hedge revaluations	-	-	(59)	(59)
Investment revaluations	-	-	(3,078)	(3,078)
Balance at 30 November 2019 (Unaudited)	78,432	183,468	40,288	302,188
Balance at 1 June 2019	78,432	169,765	43,240	291,437
Profit/(loss) for the year	-	17,281	206	17,487
Dividends paid	-	(15,622)	(72)	(15,694)
Adjustments on adoption of NZ IFRS 16	-	(704)	-	(704)
Hedge revaluations	-	-	(29)	(29)
Investment revaluations	-	-	(3,415)	(3,415)
Land & buildings revaluations	-	-	1,160	1,160
Balance at 31 May 2020 (Audited)	78,432	170,720	41,090	290,242
Balance at 1 June 2020	78,432	170,720	41,090	290,242
Profit/(loss) for the period	-	33,094	343	33,437
Dividends paid	-	(18,156)	(326)	(18,482)
Investment share repurchases	(1,695)	-	-	(1,695)
Investment revaluations	-	-	(141)	(141)
Hedge revaluations	-	-	(681)	(681)
Balance at 30 November 2020 (Unaudited)	76,737	185,658	40,285	302,680

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 2020.

LIC is domiciled in New Zealand, registered under the Companies Act 1993 and the Co-operative Companies Act 1996, and listed on the Main Board of the New Zealand Stock Exchange Limited ("NZX"). LIC is an FMC Reporting Entity for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

These financial statements should be read in conjunction with the annual report for the year ended 31 May 2020.

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.

(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

The accounting policies have been applied consistently with prior periods.

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 and animal recording for pastoral farmers.
- Farm software: data recording and farm management information services.
- Farm automation: provides dairy automated equipment and technology.

In thousands of New Zealand dollars

2020 (Unaudited)	NZ market genetics	Herd testing	Farm software	Farm automation	Other	Eliminations	Total
External revenue	91,962	14,232	26,066	11,700	25,723	-	169,683
Inter-segment revenue	-	-	-	1,708	1,070	(2,778)	-
Total revenue	91,962	14,232	26,066	13,408	26,793	(2,778)	169,683
Depreciation & amortisation	(525)	(2,502)	(1,966)	(2,089)	(6,545)	-	(13,627)
Segment profit before tax	62,987	6,622	18,330	4,450	14,447	-	106,836
Bull team revaluation							-
Unallocated amounts							(61,337)
Profit/(loss) before tax							45,499

2019 (Unaudited)	NZ market genetics	Herd testing	Farm software	Farm automation	Other	Eliminations	Total
External revenue	88,222	13,772	25,621	10,052	25,753	-	163,420
Inter-segment revenue	-	-	-	1,575	841	(2,416)	-
Total revenue	88,222	13,772	25,621	11,627	26,594	(2,416)	163,420
Depreciation & amortisation	(542)	(2,189)	(3,783)	(2,104)	(6,669)	-	(15,287)
Segment profit before tax	61,398	6,564	15,667	3,509	16,139	-	103,277
Bull team revaluation							-
Unallocated amounts							(60,685)
Profit/(loss) before tax							42,592

Year to 31 May 2020 (Audited)	NZ market genetics	Herd testing	Farm software	Farm automation	Other	Eliminations	Total
External revenue	97,159	32,051	49,969	16,396	58,411	-	253,986
Inter-segment revenue	-	-	-	1,972	2,488	(4,460)	-
Total revenue	97,159	32,051	49,969	18,368	60,899	(4,460)	253,986
Depreciation & amortisation	(1,106)	(4,475)	(7,528)	(4,343)	(13,360)	-	(30,812)
Segment profit before tax	66,687	10,796	31,161	5,029	33,194	-	146,867
Bull team revaluation							(7,220)
Unallocated amounts							(120,083)
Profit/(loss) before tax							19,564

The Other segment includes international operations, diagnostics, animal health, research & development and support services. Unallocated amounts include personnel costs, administrative and other fixed costs and net finance costs.

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

Notes to the Financial Statements

2. Equity

In July 2018 LIC's share structure was simplified and its two classes of shares, Investment Shares and Co-operative Control Shares, were brought together into a single class of Ordinary Shares. All Ordinary Shares have voting rights and the right to receive dividends based on the profits of the Company.

Following approval by the Shareholders of the share simplification described above, a small number of Shareholders elected to exercise their minority buy-out rights arising from the proposal under the Companies Act 1993. As a result, LIC agreed to purchase the 1.3 million Investment Shares held by the Shareholders concerned, to be held as treasury stock. During 2020 LIC has been required to pay an additional \$1.7 million to acquire these Investment Shares and as a consequence Share Capital has decreased to \$76.7 million (2019: \$78.4 million).

Each Investment Share was subsequently reclassified into four fully paid Ordinary Shares with a relative value of \$1.00 per share (at the time of reclassification) resulting in LIC holding 5.4 million Ordinary Shares as treasury stock.

Other reserves and equity

	Hedge revaluation reserve	Investment revaluation reserve	Land & building revaluation reserve	Non- controlling interests	Total
<i>In thousands of New Zealand dollars</i>					
Balance at 1 June 2019	97	8,473	34,421	249	43,240
Profit/(loss) for the period	-	-	-	256	256
Dividends paid	-	-	-	(71)	(71)
Revaluations	(59)	(3,078)	-	-	(3,137)
Balance at 30 November 2019 (Unaudited)	38	5,395	34,421	434	40,288
Balance at 1 June 2019	97	8,473	34,421	249	43,240
Profit/(loss) for the year	-	-	-	206	206
Dividends paid	-	-	-	(72)	(72)
Revaluations	(29)	(3,415)	1,160	-	(2,284)
Balance at 31 May 2020 (Audited)	68	5,058	35,581	383	41,090
Balance at 1 June 2020	68	5,058	35,581	383	41,090
Profit/(loss) for the period	-	-	-	343	343
Dividends paid	-	-	-	(326)	(326)
Revaluations	(141)	(681)	-	-	(822)
Balance at 30 November 2020 (Unaudited)	(73)	4,377	35,581	400	40,285

Notes to the Financial Statements

3. Acquisitions and disposals

In thousands of New Zealand dollars

(i) Land, buildings and equipment

	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2020	30 Nov 2019	31 May 2020
	Unaudited	Unaudited	Audited
Acquisitions *	2,958	5,238	7,237
Disposals	238	8	1,601

(ii) Software and other intangible assets

Acquisitions	4,887	8,093	13,713
Disposals	71	-	71

* Excludes the impact of NZ IFRS 16: Leases which increased Land, buildings and equipment by \$1.7 million in 2020 (2019: \$15.8 million)

4. Transactions with Related Parties, Directors and Management

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

In thousands of New Zealand dollars

	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2020	30 Nov 2019	31 May 2020
	Unaudited	Unaudited	Audited
Remuneration of key Management and Directors	2,671	2,437	4,507
Sale of goods and services to key Management and Directors	319	366	620

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

In thousands of New Zealand dollars

	SIX MONTHS ENDED		YEAR ENDED
	30 Nov 2020	30 Nov 2019	31 May 2020
	Unaudited	Unaudited	Audited
Profit for the period	33,437	30,284	17,487
Adjusted for non-cash items:			
Depreciation and amortisation on owned assets	11,962	13,883	27,707
Bull team revaluation	-	-	7,220
Lease liability principal repayment (classified as financing activity)	(1,614)	(1,373)	(2,964)
Working capital movements and other non-cash items	(33,007)	(27,041)	2,568
Net operating cash flows	10,778	15,753	52,018

6. Audit

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

7. Dividend

In relation to the 2020 financial year LIC declared a dividend of 12.75 cents per Ordinary Share, or \$18.2 million (2019: 10.98 cents per Investment Share, or \$15.6 million).