



Consolidated Financial Report
for the period ended 30 June 2017

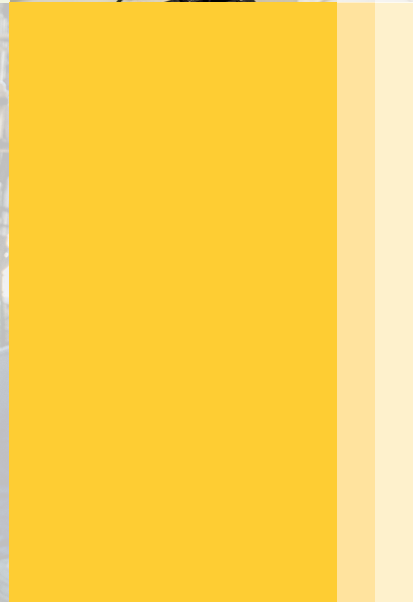


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DATAGENE LTD AND CONTROLLED ENTITY
ABN 78 613 579 614

DIRECTORS' REPORT

The directors present their report together with the financial report of the group, being company and its controlled entity, for the period ended 30 June 2017 and auditor's report thereon.

Directors names

The names of the directors in office at any time during or since the end of the period are:

Ross Joblin (appointed 11 July 2016)

Graeme Gillan (appointed 11 July 2016)

John McQueen (appointed 11 July 2016 and resigned 24 October 2016)

John Harlock (appointed 28 October 2016)

Lucinda Corrigan (appointed 16 December 2016)

Simone Jolliffe (appointed 16 December 2016)

Craig Lister (appointed 16 December 2016)

James Smallwood (appointed 16 December 2016)

The directors have been in office since the start of the period to the date of this report unless otherwise stated.

Results

The surplus of the group for the period amounted to \$4,232,704.

Review of operations

The group engaged in its principal activity, the results of which are disclosed in the attached financial statements.

Significant changes in state of affairs

The company was incorporated 11 July 2016 and is an independent and industry-owned organisation that is responsible for developing modern tools and resources to drive genetic gain and herd improvement in the Australian dairy industry, through research, development and extension activities.

DATAGENE LTD AND CONTROLLED ENTITY

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DIRECTORS' REPORT

Short-term and long-term objectives and strategies

Vision, Mission and Strategic Priorities

The company's vision is to enable farmers and industry to maximise profit through data driven decisions. The company's mission is to deliver world-class genetic evaluation, software and decision-making tools to enable Australian farmers to improve their herds and maximise their profit through data-driven decisions and innovative industry services.

DataGene's vision and mission will be delivered by focusing on three key strategic priorities:

Strategic Priority 1, (World-class genetic evaluation services) moves the large productivity lever of genetic gain, allowing farmers to breed more profitable cows. The activities which fall under this priority focus on increasing the reliability of breeding values, improving the service delivery of genetic services and improving the farmer and industry uptake of genetic services.

Strategic Priority 2, (World-class software and data services) provides software and data services to both internal and external clients; allowing farmers and service providers to make better management decisions. The activities for this priority focus on building and maintaining DataGene infrastructure and industry solutions.

Strategic Priority 3, (Service culture and collaboration) provides the internal support that underpins the delivery of the SP1 and SP2. The work areas associated with SP3 relate to maintaining internal systems and controls, communicating with stakeholders and developing a high-performance team.

Principal activities

For the period ending 30 June 2017, the company's short-term objectives were to fully integrate the business acquisitions and improve service delivery. In terms of the first objective, the Mistro Centre software was acquired by Dairy Australia and contributed at the foundation of the company. Foundation members Australian Dairy Farmers (ADF) contributed the assets of the Australian Dairy Herd Improvement Scheme Pty Ltd (ADHIS) to DataGene as the cornerstone to deliver the industry good vision of DataGene. These two acquisitions were the culmination of industry-wide discussions about the creation of DataGene and the benefits this would deliver to farmers and the industry. Building on and enabling these acquisitions, the company put in place systems and processes to employ and then integrate all staff and begin trading. Subsequently, DataGene welcomed 15 new members, recruited four board members and held its first AGM. At the same time, the company has established new stakeholder relationships, maintained existing ties and continued to provide ongoing services while developing new ones.

In terms of the second objective, improving service delivery, the company introduced a December public breeding value run, released private breeding values for Heat Tolerance (a world first), updated production breeding values to a test-day model, thereby improving reliabilities. In addition, DataGene released two new products, HerdData and the Herd Test Dashboard, to equip its clients to make better decisions.

The company also continued the development of its genetic evaluation software and the development of a central data repository, DataVat. These two key industry infrastructure products are due for delivery in 2017/18 and will provide the basis for ongoing improvements in client services and increasing herd improvement's contribution to farmer profit.

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DIRECTORS' REPORT

Key performance indicators and metrics

To help measure, analyse and monitor its performance, the company uses a variety of key performance indicators and metrics, both short and long term in nature.

In the longer term, DataGene evaluates its performance across four main areas: the genetic merit of the national herd; the market acceptance and uptake of its products; the level of herd recording within the industry; and the reach of its extension and communication activities. These are monitored on an ongoing basis.

In the shorter term, DataGene works with industry to agree an Annual Operating Plan that includes key performance indicators for the coming 12 months. These KPIs cover the three strategic priorities of the company and how success will be measured for delivery. For 2017/18, KPIs are grouped under the following headings: increase the reliability of breeding values; improve service delivery; increase farmer and industry services uptake; build and maintain DataGene and industry infrastructure; and finally, develop and maintain industry solutions. Under each of these headings are multiple KPIs that are set using SMART Objectives principles. These KPIs are reported against at every board meeting.

After balance date events

No matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the group, the results of those operations, or the state of affairs of the group in future financial years.

Likely developments

The group expects to maintain the present status and level of operations.

Key activities planned for 2017/18 for DataGene include the delivery of both the new genetic evaluation (GES II) software and DataVat, the new central data repository. Other key deliverables include the public launch of new breeding values for Heat Tolerance and Gestation Length and improvements to Type breeding values. In order to continue the development of a service culture and industry collaboration, DataGene will look to establish and strengthen business processes and structure while increasing stakeholder engagement.

Environmental regulation

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

DATAGENE LTD AND CONTROLLED ENTITY

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DIRECTORS' REPORT

Information on directors

Ross Joblin

Qualifications

Experience

Chairman and Director, nominated by Dairy Australia

LLB (Hons), Dip Corporate Management, FAICD, FCIS

Ross Joblin was previously part of Dairy Australia's senior management team leading its business operations group. Responsibilities included finance, strategic planning, human resources, issues management, corporate communications, human resources, IT, and legal. His prior experience includes a range of roles as a corporate lawyer and in senior management in listed public companies. This has provided him with a broad range of commercial experience in areas including operations management, corporate strategy, mergers, acquisitions and start-ups and human resources. Ross has also worked with a number of industry boards in the area of board governance and effectiveness.

Graeme Gillan

Experience

Director, nominated by NHIA

Graeme Gillan is chair of the National Herd Improvement Association (NHIA) and CEO of Holstein Australia. His involvement with dairy herd improvement spans more than 45 years, and several leading Australian genetics companies. Over this time Graeme has been involved at the coal face of herd improvement innovations including expanding the sources of genetics, the introduction of computerised mating programs and increasing the gene pool of the Jersey breed in the 1990s, overseas investment in Australian genetics in the 2000s and the promotion of genomics since 2010. He is passionate about the industry's role in influencing priorities for research, development and extension programs, to ensure genetics continues to deliver value to Australian dairy farm businesses.

John McQueen

Qualifications

Experience

Director, nominated by Australian Dairy Farmers (resigned 24 October 2016)

Bachelor of Science in Agriculture, MAICD

John McQueen was CEO of Australian Dairy Farmers (ADF). John previously held the position of CEO at the Australian Dairy Herd Improvement Scheme (ADHIS). He also spent time working with ABC-TV's Science Unit, producing, researching and directing programs such as the first three series of Towards 2000. John has been a senior agriculture advisor to past Prime Ministers Kevin Rudd and Julia Gillard and recently in his independent consultancy. He has significant policy expertise and strong industry relationships.

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DIRECTORS' REPORT

Information on directors (Continued)

John Harlock

Director, nominated by Australian Dairy Farmers

Qualifications

FAICD

Experience

John and his wife Shirley own and operate a 400 head dairy farm in Warrnambool, Victoria. As the former chairman of Genetics Australia cooperative, John has a sound understanding of the herd improvement industry and the benefits which can be derived from improved genetics. Over the years John has held positions on a number of dairy industry boards and committees including Warrnambool Cheese & Butter Company, Western Herd Improvement and Warrnambool Co-operative Society and UDV.

Simone Jolliffe

Director

Qualifications

Bachelor of Rural Science, AICD

Experience

Raised into beef farming and studying a Bachelor of Rural Science, Simone held an interest in animals, genetics and their production potential long before she joined her husband in the dairy industry. Together they milk about 250 cows near Wagga in NSW. Simone has held a range of industry roles at the local, state and national level over many years. They include Australian Dairyfarmers and Dairy NSW boards and the NSW Primary Industry Minister's Advisory Council. She has also been actively involved in local Holstein Australia committees and a variety of community organisations.

Craig Lister

Director

Qualifications

Bachelor of Business (Agricultural Management)

Experience

Craig Lister is a dairy farmer and Holstein breeder from Calivil, Northern Victoria. Craig is currently Chair of the ImProving Herds project steering committee and is a former director of Murray Dairy and Chair of the Murray Dairy industry steering group. Craig has very strong financial analysis, data interpretation and strategic planning skills. He holds a Bachelor of Business (Agricultural Management) backed up by experience in agricultural consulting, industry research and development projects and his own farm business. Craig is an advocate for the on farm application of genetic evaluation and livestock improvement technologies. His herd currently ranks in the top 10 in Australia for Balanced Performance Index (BPI), the genetic merit index for profit.

DATAGENE LTD AND CONTROLLED ENTITY**ABN 78 613 579 614****DIRECTORS' REPORT****Information on directors (Continued)**

James Smallwood Director

Qualifications Bachelor of Agricultural Science

Experience James is General Manager of ABS, one of Australia's leading dairy genetics suppliers. Prior to joining ABS in 2013, James and his wife owned and operated dairy farms in New Zealand and he also performed consultancy roles off-farm. His prior experience includes international agribusiness, management and practical farming.

Educated at Massey University New Zealand with a degree in Bachelor of Agricultural Science, James has had a number of international roles within agribusiness including consultancy company, Promar International, and General Manager, Business Services with Meat & Wool New Zealand.

Lucinda Corrigan Director

Qualifications Bachelor of Science in Agriculture (Honours), FAICD

Experience Lucinda and her husband run 3,500 performance recorded cattle on seven properties in the NSW Murray Valley, near Albury. Over the past 30 years they have developed a leading Angus genetics business, 'Rennylea', from small base, with dedicated use of Breedplan for genetic improvement and a highly accurate database of phenotypes and genotypes.

Having graduated with Agricultural Science degree, Lucinda also has significant off farm experience, including a variety of roles with Dawson International PLC, a multinational textile company and CEO of the Australian Cashmere Growers Association.

In 2007 Lucinda received the Helen Newton Turner Medal from AAABG in recognition for her contribution to animal breeding and genetics.

Meetings of directors

Directors	Directors' meetings	
	Number eligible to attend	Number attended
Lucinda Corrigan	4	4
Graeme Gillan	10	10
John Harlock	6	5
Ross Joblin	10	10
Simone Jolliffe	4	4
Craig Lister	4	4
John McQueen	4	4
James Smallwood	4	4

DATAGENE LTD AND CONTROLLED ENTITY

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DIRECTORS' REPORT

Members guarantee

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute to a maximum of \$10 each towards meeting any outstandings and obligations of the group. At 30 June 2017 the number of members was 21. The combined total amount that members of the group are liable to contribute if the group is wound up is \$210.

Indemnification of officers

During or since the end of the period, the group has given indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums in order to indemnify the directors of the group against liabilities arising from their roles within the group.

Further disclosure required under section 300(9) of the corporations law is prohibited under the terms of the contract.

Indemnification of auditors

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the group.

Auditor's independence declaration

A copy of the auditor's independence declaration under section 307C of the *Corporations Act 2001* in relation to the audit for the financial period is provided with this report.

Proceedings on behalf of the group

No person has applied for leave of Court to bring proceedings on behalf of the group or intervene in any proceedings to which the group is a party for the purpose of taking responsibility on behalf of the group for all or any part of those proceedings.

**DATAGENE LTD AND CONTROLLED ENTITY
ABN 78 613 579 614**

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF DATAGENE LTD AND CONTROLLED ENTITY**

In relation to the independent audit for the period ended 30 June 2017, to the best of my knowledge and belief there have been no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of DataGene Ltd and the entities it controlled during the period.



K L BYRNE

Partner



PITCHER PARTNERS

Melbourne

Date: 31 October 2017

DATAGENE LTD AND CONTROLLED ENTITY
ABN 78 613 579 614

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	2017 \$
Revenue and other income		
Sales revenue	2	3,727,776
Other revenue	2	3,280,761
Other income	2	<u>128,890</u>
	2	<u>7,137,427</u>
Less: expenses		
Communication and marketing		(158,269)
Data collection expense		(146,833)
Depreciation and amortisation expense	3	(133,298)
Employee benefits expense	3	(1,916,492)
Occupancy expense		(25,323)
Operating expense		(60,637)
Professional fees		(32,881)
Software expense		(97,120)
Travel expense		(85,656)
Other expenses		<u>(248,214)</u>
		<u>(2,904,723)</u>
Surplus		4,232,704
Other comprehensive income for the year		<u>-</u>
Total comprehensive income		<u><u>4,232,704</u></u>

The accompanying notes form part of these financial statements.

DATAGENE LTD AND CONTROLLED ENTITY
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	2017 \$
Current assets		
Cash and cash equivalents	4	1,951,214
Receivables	5	460,652
Other assets	8	<u>3,372</u>
Total current assets		<u>2,415,238</u>
Non-current assets		
Intangible assets	7	2,892,303
Property, plant and equipment	6	<u>203,779</u>
Total non-current assets		<u>3,096,082</u>
Total assets		<u>5,511,320</u>
Current liabilities		
Payables	9	976,207
Provisions	10	<u>255,832</u>
Total current liabilities		<u>1,232,039</u>
Non-current liabilities		
Provisions	10	<u>46,577</u>
Total non-current liabilities		<u>46,577</u>
Total liabilities		<u>1,278,616</u>
Net assets		<u><u>4,232,704</u></u>
Equity		
Accumulated surplus	11	<u>4,232,704</u>
Total equity		<u><u>4,232,704</u></u>

The accompanying notes form part of these financial statements.

DATAGENE LTD AND CONTROLLED ENTITY
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2017

	Reserves	Accumulated	Total equity
	\$	surplus	\$
		\$	
Balance as at 11 July 2016	-	-	-
Surplus for the year	-	<u>4,232,704</u>	<u>4,232,704</u>
Total comprehensive income for the period	-	<u>4,232,704</u>	<u>4,232,704</u>
Balance as at 30 June 2017	<u>-</u>	<u>4,232,704</u>	<u>4,232,704</u>

The accompanying notes form part of these financial statements.

DATAGENE LTD AND CONTROLLED ENTITY
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2017

	Note	2017 \$
Cash flow from operating activities		
Receipts from customers		4,098,663
Cash receipt on acquisition of ADHIS		1,191,913
Payments to suppliers and employees		(2,386,380)
Interest received		<u>10,109</u>
Net cash provided by operating activities		<u>2,914,305</u>
Cash flow from investing activities		
Payment for property, plant and equipment		(29,859)
Payment for intangible software		<u>(933,232)</u>
Net cash provided by / (used in) investing activities		<u>(963,091)</u>
Reconciliation of cash		
Net increase in cash held		<u>1,951,214</u>
Cash at end of financial year		<u><u>1,951,214</u></u>

The accompanying notes form part of these financial statements.

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and Australian Accounting Standards - Reduced Disclosure Requirements, Interpretations and other applicable authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers DataGene Ltd and its consolidated entity. DataGene Ltd is a company limited by guarantee, incorporated and domiciled in Australia. DataGene Ltd is a not-for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the directors as at the date of the directors' report.

The following are the significant accounting policies adopted by the group in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets and liabilities as described in the accounting policies.

(b) Going concern

The financial report has been prepared on a going concern basis.

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity ("the group"), comprising the financial statements of the parent entity and all of the entities the parent controls. The group controls an entity where it has the power, for which the parent has exposure or rights to variable returns from its involvement with the entity, and for which the parent has the ability to use its power over the entities to affect the amount of its returns.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is transferred to the group and are de-recognised from the date that control ceases.

Equity interests in a subsidiary not attributable, directly or indirectly, to the group are presented as non-controlling interests. Non-controlling interests are initially recognised either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Non-controlling interests in the results of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position respectively.

(d) Revenue

Revenue from the rendering of services is recognised upon the delivery of the service to the customers.

Interest revenue is measured in accordance with the effective interest method.

Grant revenue

A non-reciprocal contribution or grant is recognised when the entity obtains control of the contribution or grant and it is probable that the economic benefits will flow to the entity, and the amount of the contribution or grant can be measured reliably.

If conditions attached to the contribution or grant that must be satisfied before the entity is eligible to receive the contribution, recognition of contribution or income is deferred until those conditions are met.

When grant revenue is received whereby the company incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

All revenue is measured net of the amount of goods and services tax (GST).

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income tax

No provision for income tax has been raised as the group is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997*.

(f) Financial instruments

Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the item and the purpose for which the instruments are held.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value adjusted for transaction costs, except where the instrument is classified as fair value through profit or loss, in which case transaction costs are immediately recognised as expenses in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are subsequently measured at amortised cost, comprising original debt less principal payments and amortisation.

Financial liabilities are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Impairment of financial assets

Financial assets are tested for impairment at each financial year end to establish whether there is any objective evidence for impairment as a result of one or more events ('loss events') having occurred and which have an impact on the estimated future cash flows of the financial assets.

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and any accumulated impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis.

Depreciation

The depreciable amount of all property, plant and equipment is depreciated over their estimated useful lives commencing from the time the asset is held available for use, consistent with the estimated consumption of the economic benefits embodied in the asset.

Class of fixed asset	Depreciation rates	Depreciation basis
Motor vehicles at cost	17 - 25%	Straight line
Office equipment at cost	15%	Straight line
Computer equipment at cost	25 - 33%	Straight line

(h) Intangibles

Software development expenditure

The software expenditure relates to a re-write project for genetic software. The re-write project is important to the industry to assist with the production of Australian breeding values.

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably.

Amortisation of software expenditure

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project. Amortisation of the software expenditure (GEN) commenced from the date of first use over the effective life of the intangible asset. First use occurred during April 2011 and the amortisation rate is over 8 years or 12.5%.

GESII is still in the development phase.

Other intangibles

Other intangibles acquired in a business combination are initially recognised at fair value at the acquisition date. Such intangibles are amortised over their estimated useful lives and are carried at cost less accumulated amortisation and any impairment losses.

Other intangible assets other than those acquired in a business combination are initially recorded at cost. Other intangible assets are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and amounts are written off to the extent the realisable future benefits are considered to be no longer probable.

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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense when incurred.

Development costs are capitalised when the entity can demonstrate all of the following: the technical feasibility of completing the asset so that it will be available for use or sale; the intention to complete the asset and use or sell it; the ability to use or sell the asset; how the asset will generate probable future economic benefits; the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and the ability to measure reliably the expenditure attributable to the asset during its development. Capitalised development expenditure is carried at cost less any accumulated amortisation and any accumulated impairment losses. Capitalised development costs are amortised using the straight-line method over their estimated useful lives, which range from 5 to 10 years. Amortisation commences when the intangible asset is available for use.

Other development expenditure is recognised as an expense when incurred.

(j) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the annual reporting period are measured at the (undiscounted) amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables in the consolidated statement of financial position.

(ii) Long-term employee benefit obligations

The provision for other long-term employee benefits, including obligations for long service leave and annual leave, which are not expected to be settled wholly before twelve months after the end of the reporting period, are measured at the present value of the estimated future cash outflow to be made in respect of the services provided by employees up to the reporting date. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee turnover, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. All other long-term employee benefit obligations are presented as non-current liabilities in the consolidated statement of financial position.

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Business combinations

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses and results in the consolidation of the assets and liabilities acquired. Business combinations are accounted for by applying the acquisition method.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree. Deferred consideration payable is measured at its acquisition-date fair value. Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. At each reporting date subsequent to the acquisition, contingent consideration payable is measured at its fair value with any changes in the fair value recognised in profit or loss unless the contingent consideration is classified as equity, in which case the contingent consideration is carried at its acquisition-date fair value.

Goodwill is recognised initially at the excess of: (a) the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest (in case of step acquisition); over (b) the net fair value of the identifiable assets acquired and liabilities assumed.

If the net fair value of the acquirer's interest in the identifiable assets acquired and liabilities assumed is greater than the aggregate of the consideration transferred, the fair value of the non-controlling interest, and the acquisition date fair value of the acquirer's previously held equity interest, the difference is immediately recognised as a gain in the profit or loss.

Acquisition related costs are expensed as incurred.

(l) Goods and services tax (GST)

Revenues, expenses and purchased assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparatives

The company was established 11 July 2016 and began trading during the 2017 financial year. Accordingly there are no prior year comparatives.

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

	2017
	\$
NOTE 2: REVENUE AND OTHER INCOME	
Sales revenue	
Rendering of services	941,253
Dairy Australia funding	2,503,773
Membership fees	<u>282,750</u>
	<u>3,727,776</u>
Other revenue	
Interest income	10,109
Gain on acquisitions	<u>3,270,652</u>
	<u>3,280,761</u>
Other income	<u>128,890</u>
	<u>7,137,427</u>
NOTE 3: OPERATING PROFIT	
Surplus has been determined after:	
Depreciation	57,498
Amortisation of non-current assets	
- intangible assets	75,800
Employee benefits	1,916,492
NOTE 4: CASH AND CASH EQUIVALENTS	
Cash at bank	<u>1,951,214</u>
NOTE 5: RECEIVABLES	
CURRENT	
Trade debtors	<u>460,652</u>

DATAGENE LTD AND CONTROLLED ENTITY
ABN 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

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NOTE 6: PROPERTY, PLANT AND EQUIPMENT

Plant and equipment

Motor vehicles at cost	90,117
Accumulated depreciation	<u>(11,917)</u>
	78,200
Office equipment at cost	2,530
Accumulated depreciation	<u>(256)</u>
	2,274
Computer equipment at cost	168,630
Accumulated depreciation	<u>(45,325)</u>
	<u>123,305</u>
Total property, plant and equipment	<u><u>203,779</u></u>

(a) Reconciliations

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year

Motor vehicles

Opening carrying amount	-
Additions	26,000
Additions through acquisition of entities / operations	64,117
Depreciation expense	<u>(11,917)</u>
Closing carrying amount	<u><u>78,200</u></u>

Office equipment

Opening carrying amount	-
Additions through acquisition of entities / operations	2,530
Depreciation expense	<u>(256)</u>
Closing carrying amount	<u><u>2,274</u></u>

Computer equipment

Opening carrying amount	-
Additions	3,859
Additions through acquisition of entities / operations	164,771
Depreciation expense	<u>(45,325)</u>
Closing carrying amount	<u><u>123,305</u></u>

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

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NOTE 6: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliations (Continued)

Total property, plant and equipment

Carrying amount at 1 July	-
Additions	29,859
Additions through acquisition of entities / operations	231,418
Depreciation expense	<u>(57,498)</u>
Carrying amount at 30 June	<u><u>203,779</u></u>

NOTE 7: INTANGIBLE ASSETS

Software - Centre	100,000
Accumulated amortisation and impairment	<u>(23,836)</u>
	76,164
Software development - GEN at cost	120,116
Accumulated amortisation and impairment	<u>(45,073)</u>
	75,043
Software development - GES II at cost	2,695,833
Accumulated amortisation and impairment	<u>-</u>
	2,695,833
Other intangibles - Good Bulls App at cost	52,154
Accumulated amortisation and impairment	<u>(6,891)</u>
	<u>45,263</u>
Total intangible assets	<u><u>2,892,303</u></u>

(a) Reconciliations

Reconciliation of the carrying amounts of intangible assets at the beginning and end of the current financial year

Software - Centre

Opening balance	-
Amortisation expense	(23,836)
Additions through acquisition of entities/operations	<u>100,000</u>
Closing balance	<u><u>76,164</u></u>

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

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NOTE 7: INTANGIBLE ASSETS (CONTINUED)

(a) Reconciliations (Continued)

Software development - GEN at cost

Opening balance	-
Amortisation expense	(45,073)
Additions through acquisition of entities/operations	<u>120,116</u>
Closing balance	<u><u>75,043</u></u>

Software development - GES II at cost

Opening balance	-
Additions	933,232
Additions through acquisition of entities/operations	<u>1,762,601</u>
Closing balance	<u><u>2,695,833</u></u>

Good Bulls App

Opening balance	-
Amortisation expense	(6,891)
Additions through acquisition of entities/operations	<u>52,154</u>
Closing balance	<u><u>45,263</u></u>

Total Intangible assets reconciliation

Opening balance	-
Additions	933,232
Amortisation expense	(75,800)
Additions through acquisition of entities/operations	<u>2,034,871</u>
Closing balance	<u><u>2,892,303</u></u>

NOTE 8: OTHER ASSETS

CURRENT

Prepayments	203
Accrued income	218
Other current assets	<u>2,951</u>
	<u><u>3,372</u></u>

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

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NOTE 9: PAYABLES

CURRENT

Unsecured liabilities

Trade creditors	740,897
Sundry creditors and accruals	<u>235,310</u>
	<u><u>976,207</u></u>

NOTE 10: PROVISIONS

CURRENT

Employee benefits	(a)	<u>255,832</u>
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NON CURRENT

Employee benefits	(a)	<u>46,577</u>
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(a) Aggregate employee benefits liability	302,409
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(b) Number of employees at year end	17
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NOTE 11: ACCUMULATED SURPLUS

Net surplus	<u>4,232,704</u>
	<u><u>4,232,704</u></u>

NOTE 12: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

The following are the group's significant subsidiaries:

	Country of incorporation	Ownership interest held by the group 2017 %
Subsidiaries of DataGene Ltd and controlled entity:		
ADHIS Pty Ltd	Australia	100
Ownership interest are the same as voting rights		

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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

NOTE 13: BUSINESS COMBINATIONS

On 22 November 2016, the group acquired 100% of the share capital of ADHIS Pty Ltd from founding member Australian Dairy Farmers.

There was no purchase consideration paid.

Assets and liabilities acquired

Assets and liabilities acquired as a result of the business combination were:

	Recognised on acquisition at fair value \$
Assets and liabilities held at acquisition date:	
- Cash at bank	1,191,913
- Trade receivables	316,982
- Property, plant and equipment	200,858
- Intangible assets	1,934,871
- Other assets	28,006
- Trade creditors and accruals	(277,791)
- Provisions	(74,333)
- Other liabilities	<u>(110,648)</u>
Net identifiable assets acquired	<u>3,209,858</u>
Gain on bargain purchase	<u>3,209,858</u>

Bargain purchase

The acquisition of ADHIS has resulted in a bargain purchase of \$3,209,858 due to no consideration being paid.

**DATAGENE LTD AND CONTROLLED ENTITY
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**NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017**

NOTE 13: BUSINESS COMBINATIONS (CONTINUED)

Assets and liabilities acquired

On 17 July 2016, the company completed the acquisition of Mistro Centre.

Assets and liabilities acquired as a result of the business combination were:

	Recognised on acquisition at fair value \$
Assets and liabilities held at acquisition date:	
- Property, plant and equipment	30,560
- Intangible software	100,000
- Provisions	(69,766)
- Other liabilities	-
Net identifiable assets acquired	<u>60,794</u>
Gain on bargain purchase	<u><u>60,794</u></u>

Bargain purchase

The acquisition of Mistro has resulted in a bargain purchase of \$60,794 due to no consideration being paid by DataGene.

NOTE 14: RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel of the entity or its parent and their personally related entities

The consolidated group entered into related party transactions with the following parties in relation to funding income:

Dairy Australia and NHIA are both founding members of DataGene Ltd.

	2017 \$
Dairy Australia	2,503,773
NHIA	<u>200,000</u>
	<u><u>2,703,773</u></u>

DATAGENE LTD AND CONTROLLED ENTITY
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NOTES TO FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2017

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NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the group

- short-term employee benefits	364,935
- post-employment benefits	<u>34,442</u>
	<u><u>399,377</u></u>

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2017, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2017, of the group.

NOTE 17: MEMBERS' GUARANTEE

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the Constitution states that each member is required to contribute to a maximum of \$10 each towards meeting any outstandings and obligations of the group. At 30 June 2017 the number of members was 21. The combined total amount that members of the group are liable to contribute if the group is wound up is \$210.

**DATAGENE LTD AND CONTROLLED ENTITY
ABN 78 613 579 614**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DATAGENE LTD AND CONTROLLED ENTITY**

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of DataGene Ltd and controlled entity "the company" and its subsidiary, "the Group", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the period then ended; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* "ACNC Act" and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the period ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

**DATAGENE LTD AND CONTROLLED ENTITY
ABN 78 613 579 614**

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DATAGENE LTD AND CONTROLLED ENTITY**

Other Information (Continued)

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

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the ACNC Act and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

DATAGENE LTD AND CONTROLLED ENTITY
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DATAGENE LTD AND CONTROLLED ENTITY

Auditor's Responsibilities for the Audit of the Financial Report (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



K L BYRNE

Partner



PITCHER PARTNERS

Melbourne

Date: 31 October 2017



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