

**Consolidated Financial Report for
the period ended 30 June 2019**





DataGene Ltd and controlled entity

ABN: 78 613 579 614

Consolidated Financial report

For the year ended 30 June 2019

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TABLE OF CONTENTS

Directors' report	1 - 8
Auditor's independence declaration	9
Financial report	
Consolidated statement of profit or loss and other comprehensive income	10
Consolidated statement of financial position	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to financial statements	14 - 28
Directors' declaration	29
Independent auditor's report	30 - 32

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 the company and its controlled entity, for the year ended 30 June 2019 and auditor's report thereon.

Directors names

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

Ross Joblin

Lucinda Corrigan

Graeme Gillan

Tim Jelbart (appointed 14 November 2018)

Simone Jolliffe

Craig Lister

James Smallwood

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

Results

The profit of the group for the year after providing for income tax amounted to \$276,157 (2018: \$784,132).

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

DIRECTORS' REPORT

Review of operations

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

For the period ending 30 June 2019,

A major highlight of the year ending 30 June 2019 was the transition across to a new genetic evaluation system (GESNP) which had been under development for several years. The new system is now used for monthly runs of Provisional Breeding Values and was first used for a public run of Australian Breeding Values (ABVs) in April 2019. The year also saw significant developments in the Central Data Repository (CDR) and DataVat website. DataVat relies on sourcing data via the CDR. The IT infrastructure for the CDR to exchange data from varied sources is largely complete. The next step is for DataGene to work with industry data suppliers to connect with the CDR. As connecting to the CDR is entirely optional on the part of data suppliers, DataGene has no control over the timing or number of organisations connecting. We expect data suppliers to come on line progressively over the next year or two. DataVat is the web portal that allows for customised, secure access to various reports, tools and resources that draw upon data in the CDR and information from the genetic evaluation system. It is currently operating as a beta testing site, with further functionality added each week.

With a growing reputation as a provider of quality IT solutions for the dairy industry, DataGene was commissioned to undertake some specific projects. An example of this is the Body Condition Score App which was commissioned by Dairy Australia and delivered to app stores for IOS and Android in January.

A promotional campaign during the year saw an additional 50 herds with excellent records join the Ginfo project, bringing the total to almost 150. The genetic and performance records of these herds play an important role in the genetic evaluation system, both in terms of improving the reliability of ABVs and enabling the development of genomic ABVs for new traits, particularly those that are difficult to measure such as health traits.

During the year, DataGene reviewed its 5-year Business Plan, to maintain alignment with the updated industry Herd Improvement Strategy, which was recently updated. DataGene's vision and mission remain unchanged, however the strategic priorities have been aligned to better reflect DataGene's roles in the industry. The updated plan will take effect from 1 July 2019.

Highlights of DataGene's extension and communication activities included building on the legacy of the ImProving Herds project and working with partners to deliver Herd 19, a conference held every second year for people involved at all levels of dairy herd improvement.

During the year DataGene welcomed two new members: Livestock and Business Centre and Neogen Australasia.

Significant changes in state of affairs

There were no significant changes in the group's state of affairs that occurred during the financial year, other than those referred to elsewhere in this report.

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

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:

1. Genetic Evaluation Services
2. Software and Data Services
3. Service Culture and Collaboration

Strategic Priority 1: Genetic evaluation services Providing world class genetic evaluation services drives genetic gain and allows 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: Software and data services DataGene provides software and data services to both internal and external clients. These services are designed to enable farmers and service providers to make better, more timely management decisions. DataGene is focused on building and maintaining data systems infrastructure and developing and maintaining industry solutions. The key infrastructure deliverables are the new Genetic Evaluation Software and the Central Data Repository.

Strategic Priority 3: Service culture and collaboration This priority underpins the delivery of the genetic evaluation services and software and data services. DataGene is focussed on maintaining internal systems and controls, communicating with stakeholders and developing a high performance team. The aim is to create a transparent, responsive and collaborative culture within DataGene and collectively with its stakeholders.

Principal activities

DataGene's objective is to promote the development of Australian agricultural and pastoral resources through development of the dairy industry, in particular by herd improvement.

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

DIRECTORS' REPORT

Key performance indicators

DataGene uses a variety of short and long-term performance indicators and metrics to monitor performance.

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 develop an Annual Operating Plan that includes key performance indicators aligned with the strategic priorities. KPIs that are set using SMART Objectives principles and progress is reported at every board meeting. The 2018/19, KPIs were structured within four themes: increasing the reliability of breeding values; improving service delivery; increasing service uptake by farmers and industry; building and maintaining DataGene and industry infrastructure and communicating with stakeholders.

After balance date events

No matters or circumstances have arisen since the end of the financial year 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 2019/20 for DataGene include the adjustment to the new production environment following the implementation of the new Genetic Evaluation System (GESNP), the Centralised Data Repository and DataVat. The new system is more automated and involves simpler processes which will result in role changes in the team.

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

ABN: 78 613 579 614

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.

Lucinda Corrigan

Qualifications

Experience

Director

Bachelor of Science in Agriculture (Honours), FAICD

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 a small base, with dedicated use of Breedplan for genetic improvement and a highly accurate database of phenotypes and genotypes.

Having graduated with an 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.

Graeme Gillan

Qualifications

Experience

Director

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.

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

DIRECTORS' REPORT

Information on directors (Continued)

Tim Jelbart	Director
Qualifications	Bachelor of Applied Science (Valuations), AAPI
Experience	Tim Jelbart is a dairy farmer and Holstein breeder from Inverloch, West Gippsland, Victoria. He is the general manager of the 1000-cow operation, Jelbart Dairy which is owned by Tim and his two brothers. The business is guided by an advisory committee comprising the three brothers and two external advisors. Before returning to the family farm Tim completed a degree in applied science, specialising in property valuation. He established the agribusiness property management division with Colliers International, rapidly building it up to a \$500 million year enterprise.
Simone Jolliffe	Director
Qualifications	Bachelor of Rural Science, GAICD
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.

Meetings of directors

Directors	Directors' meetings	
	Number eligible to attend	Number attended
Ross Joblin	9	9
Lucinda Corrigan	9	8
Graeme Gillan	9	9
Tim Jelbart	6	6
Simone Jolliffe	9	8
Craig Lister	9	9
James Smallwood	9	9

Members guarantee

The group is incorporated under the *Corporations Act 2001* and is a group limited by guarantee. If the group is wound up, the Constitution states that each member is required to contribute to a maximum of \$10 each towards meeting any outstanding obligations of the group. At 30 June 2019 the number of members was 26. The combined total amount that members of the group are liable to contribute if the group is wound up is \$260.

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.

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

DIRECTORS' REPORT

Indemnification of auditors

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

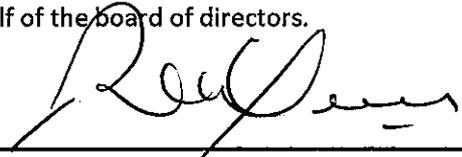
Auditor's independence declaration

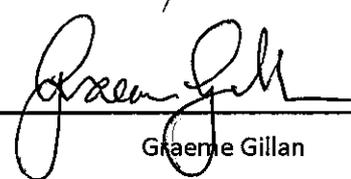
A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

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.

Signed on behalf of the board of directors.

Director: 
Ross Joblin

Director: 
Graeme Gillan

Dated this 27 day of September 2019

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 year ended 30 June 2019, 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 year.



K L BYRNE
Partner



PITCHER PARTNERS
Melbourne

30 September 2019

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
Revenue and other income			
Sales revenue	2	4,345,730	4,379,384
Other revenue		369,555	86,137
Other income		<u>96,954</u>	<u>-</u>
		<u>4,812,239</u>	<u>4,465,521</u>
Less: expenses			
Communication and marketing expense		(201,922)	(187,810)
Data collection expense		(191,338)	(175,967)
Depreciation and amortisation expense	3	(245,807)	(189,651)
Employee benefits expense	3	(2,638,745)	(2,425,283)
Occupancy expense		(133,057)	(4,800)
Operating expense		(64,022)	(89,181)
Professional fees		(34,389)	(50,133)
Project expenses		(289,138)	(77,863)
Software development expense		(161,784)	(5,180)
Software expense		(137,469)	(86,911)
Travel expense		(85,038)	(174,751)
Other expenses		<u>(353,373)</u>	<u>(213,859)</u>
		<u>(4,536,082)</u>	<u>(3,681,389)</u>
Surplus		276,157	784,132
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income		<u><u>276,157</u></u>	<u><u>784,132</u></u>

The accompanying notes form part of these financial statements.

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	4	570,975	1,482,710
Receivables	5	526,417	591,112
Other assets	6	<u>5,800</u>	<u>3,932</u>
Total current assets		<u>1,103,192</u>	<u>2,077,754</u>
Non-current assets			
Other financial assets	7	63,920	62,422
Intangible assets	8	4,878,257	4,274,940
Property, plant and equipment	9	<u>450,652</u>	<u>237,157</u>
Total non-current assets		<u>5,392,829</u>	<u>4,574,519</u>
Total assets		<u>6,496,021</u>	<u>6,652,273</u>
Current liabilities			
Payables	10	828,974	1,325,989
Provisions	11	<u>325,395</u>	<u>276,832</u>
Total current liabilities		<u>1,154,369</u>	<u>1,602,821</u>
Non-current liabilities			
Provisions	11	<u>48,659</u>	<u>32,616</u>
Total non-current liabilities		<u>48,659</u>	<u>32,616</u>
Total liabilities		<u>1,203,028</u>	<u>1,635,437</u>
Net assets		<u>5,292,993</u>	<u>5,016,836</u>
Equity			
Accumulated surplus	12	<u>5,292,993</u>	<u>5,016,836</u>
Total equity		<u>5,292,993</u>	<u>5,016,836</u>

The accompanying notes form part of these financial statements.

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Accumulated surplus \$	Total equity \$
Consolidated		
Balance as at 1 July 2017	4,232,704	4,232,704
Surplus for the year	<u>784,132</u>	<u>784,132</u>
Total comprehensive income for the year	<u>784,132</u>	<u>784,132</u>
Balance as at 30 June 2018	<u>5,016,836</u>	<u>5,016,836</u>
Balance as at 1 July 2018	5,016,836	5,016,836
Surplus for the year	<u>276,157</u>	<u>276,157</u>
Total comprehensive income for the year	<u>276,157</u>	<u>276,157</u>
Balance as at 30 June 2019	<u>5,292,993</u>	<u>5,292,993</u>

The accompanying notes form part of these financial statements.

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		\$	\$
Cash flow from operating activities			
Receipts from customers		5,343,418	4,772,512
Payments to suppliers and employees		(5,204,547)	(3,581,201)
Interest received		<u>13,400</u>	<u>8,274</u>
Net cash provided by operating activities		<u>152,271</u>	<u>1,199,585</u>
Cash flow from investing activities			
Payment for property, plant and equipment		(291,056)	(111,817)
Payment for investments		(1,498)	(62,422)
Payment for intangible software		<u>(771,452)</u>	<u>(1,493,850)</u>
Net cash used in investing activities		<u>(1,064,006)</u>	<u>(1,668,089)</u>
Reconciliation of cash			
Cash at beginning of the financial year		1,482,710	1,951,214
Net increase / (decrease) in cash held		<u>(911,735)</u>	<u>(468,504)</u>
Cash at end of financial year		<u>570,975</u>	<u>1,482,710</u>

The accompanying notes form part of these financial statements.

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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 entity 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 obtained by 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 the 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

ABN: 78 613 579 614

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the group 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.

Classification of financial assets

Financial assets recognised by the group are subsequently measured in their entirety at either amortised cost or fair value, subject to their classification and whether the group irrevocably designates the financial asset on initial recognition at fair value through other comprehensive income (FVtOCI) in accordance with the relevant criteria in AASB 9.

Financial assets not irrevocably designated on initial recognition at FVtOCI are classified as subsequently measured at amortised cost, FVtOCI or fair value through profit or loss (FVtPL) on the basis of both:

- (a) the group's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

Classification of financial liabilities

Financial liabilities classified as held-for-trading, contingent consideration payable by the group for the acquisition of a business, and financial liabilities designated at FVtPL, are subsequently measured at fair value.

All other financial liabilities recognised by the group are subsequently measured at amortised cost.

Trade and other receivables

Trade and other receivables arise from the group's transactions with its customers and are normally settled within 30 days.

Consistent with both the group's business model for managing the financial assets and the contractual cash flow characteristics of the assets, trade and other receivables are subsequently measured at amortised cost.

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

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.

(g) Property, plant and equipment

Each class of plant and equipment is measured 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

Land is not depreciated. The depreciable amount of all other 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	14 - 20%	Straight line
Office equipment at cost	15%	Straight line
Computer equipment at cost	25 - 33%	Straight line
Office fit-out	5%	Straight line

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets

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%.

GESNP, CDR and DataVat software is now in use as of April 2019 and the amortisation rate is over 8 years or 12.5%.

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.

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 group 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 costs are amortised over their estimated useful lives commencing from the time the asset is available for use. The amortisation method applied to capitalised development costs is consistent with the estimated consumption of economic benefits of the asset. Subsequent to initial recognition, capitalised development costs are measured at cost, less accumulated amortisation and any accumulated impairment losses.

Other development expenditure is recognised as an expense when incurred.

(j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as an expense on a straight-line basis over the term of the lease.

Lease incentives received under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(k) Employee benefits

(i) Short-term employee benefit obligations

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits (other than termination benefits) expected to be settled wholly before twelve months after the end of the 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

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Employee benefits (Continued)

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 government bonds that are denominated in the currency in which the benefits will be paid. Any remeasurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the change occurs.

Other long-term employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the group 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.

(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

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 2: REVENUE		
Sales revenue		
Rendering of services	1,733,175	1,532,604
Dairy Australia funding	2,605,888	2,827,863
Membership fees	<u>6,667</u>	<u>18,917</u>
	<u>4,345,730</u>	<u>4,379,384</u>
Other revenue		
Interest income	13,400	8,274
Fit-out contributions	<u>356,155</u>	<u>77,863</u>
	<u>369,555</u>	<u>86,137</u>
Other income	<u>96,954</u>	-
	<u>4,812,239</u>	<u>4,465,521</u>

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 3: OPERATING SURPLUS		
Surplus has been determined after:		
Finance costs		
Interest expense	348	-
Depreciation	77,672	78,438
Amortisation	168,135	111,213
Employee benefits	2,638,745	2,425,283
NOTE 4: CASH AND CASH EQUIVALENTS		
Cash at bank	<u>570,975</u>	<u>1,482,710</u>
NOTE 5: RECEIVABLES		
CURRENT		
Receivables from contracts with customers	526,417	567,772
Other receivables	<u>-</u>	<u>23,340</u>
	<u>526,417</u>	<u>591,112</u>
NOTE 6: OTHER ASSETS		
CURRENT		
Prepayments	1,466	713
Accrued income	(25)	268
Other current assets	<u>4,359</u>	<u>2,951</u>
	<u>5,800</u>	<u>3,932</u>
NOTE 7: OTHER FINANCIAL ASSETS		
NON CURRENT		
<i>Financial assets measured at amortised cost</i>		
Cash on deposit	<u>63,920</u>	<u>62,422</u>

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 8: INTANGIBLE ASSETS		
Software - Centre	100,000	100,000
Accumulated amortisation and impairment	<u>(73,836)</u>	<u>(48,836)</u>
	26,164	51,164
Software development - GEN at cost	120,116	120,116
Accumulated amortisation and impairment	<u>(120,116)</u>	<u>(119,853)</u>
	-	263
Software development - GESNP, CDR and DataVat at cost	4,961,135	4,189,683
Accumulated amortisation and impairment	<u>(131,439)</u>	<u>-</u>
	4,829,696	4,189,683
Other intangibles - Good Bulls App at cost	52,154	52,154
Accumulated amortisation and impairment	<u>(29,757)</u>	<u>(18,324)</u>
	<u>22,397</u>	<u>33,830</u>
Total intangible assets	<u><u>4,878,257</u></u>	<u><u>4,274,940</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	51,164	76,164
Amortisation expense	<u>(25,000)</u>	<u>(25,000)</u>
Closing balance	<u><u>26,164</u></u>	<u><u>51,164</u></u>

Software Development - GEN

Opening balance	263	75,043
Amortisation expense	<u>(263)</u>	<u>(74,780)</u>
Closing balance	<u><u>-</u></u>	<u><u>263</u></u>

Software Development - GESNP, CDR and DataVat

Opening balance	4,189,683	2,695,833
Additions	771,452	1,493,850
Amortisation expense	<u>(131,439)</u>	<u>-</u>
Closing balance	<u><u>4,829,696</u></u>	<u><u>4,189,683</u></u>

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 8: INTANGIBLE ASSETS (CONTINUED)		
(a) Reconciliations (Continued)		
<i>Good Bulls Guide</i>		
Opening balance	33,830	45,263
Amortisation expense	<u>(11,433)</u>	<u>(11,433)</u>
Closing balance	<u><u>22,397</u></u>	<u><u>33,830</u></u>

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

Motor vehicles at cost	90,117	90,117
Accumulated depreciation	<u>(40,182)</u>	<u>(25,118)</u>
	49,935	64,999
Office equipment at cost	2,530	2,530
Accumulated depreciation	<u>(1,105)</u>	<u>(681)</u>
	1,425	1,849
Computer equipment at cost	186,575	173,827
Accumulated depreciation	<u>(160,647)</u>	<u>(110,202)</u>
	25,928	63,625
Office fit-out	384,992	106,684
Accumulated depreciation	<u>(11,628)</u>	<u>-</u>
	<u>373,364</u>	<u>106,684</u>
Total plant and equipment	<u>450,652</u>	<u>237,157</u>
Total property, plant and equipment	<u><u>450,652</u></u>	<u><u>237,157</u></u>

(a) Reconciliations

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

<i>Motor vehicles</i>		
Opening carrying amount	64,999	78,200
Depreciation expense	<u>(15,064)</u>	<u>(13,201)</u>
Closing carrying amount	<u><u>49,935</u></u>	<u><u>64,999</u></u>

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
NOTE 9: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)		
(a) Reconciliations (Continued)		
<i>Office equipment</i>		
Opening carrying amount	1,849	2,274
Depreciation expense	<u>(424)</u>	<u>(425)</u>
Closing carrying amount	<u><u>1,425</u></u>	<u><u>1,849</u></u>
<i>Computer equipment</i>		
Opening carrying amount	63,625	123,305
Additions	12,748	5,133
Depreciation expense	<u>(50,445)</u>	<u>(64,813)</u>
Closing carrying amount	<u><u>25,928</u></u>	<u><u>63,625</u></u>
<i>Office fit-out</i>		
Opening carrying amount	106,684	-
Additions	278,308	106,684
Depreciation expense	<u>(11,628)</u>	<u>-</u>
Closing carrying amount	<u><u>373,364</u></u>	<u><u>106,684</u></u>
NOTE 10: PAYABLES		
CURRENT		
<i>Unsecured liabilities</i>		
Trade creditors	577,300	1,126,206
Amounts payable to:		
- associated companies (Holstein Australia, Jersey Australia and NHIA)	20,436	-
Other creditors	<u>231,238</u>	<u>199,783</u>
	<u><u>828,974</u></u>	<u><u>1,325,989</u></u>

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
		\$	\$
NOTE 11: PROVISIONS			
CURRENT			
Employee benefits	(a)	<u>325,395</u>	<u>276,832</u>
NON CURRENT			
Employee benefits	(a)	<u>48,659</u>	<u>32,616</u>
(a) Aggregate employee benefits liability		374,054	309,448

NOTE 12: ACCUMULATED SURPLUS

Accumulated surplus at beginning of year		5,016,836	4,232,704
Net surplus		<u>276,157</u>	<u>784,132</u>
		<u>5,292,993</u>	<u>5,016,836</u>

NOTE 13: INTERESTS IN SUBSIDIARIES

(a) Subsidiaries

The following are the group's significant subsidiaries:

	Country of incorporation	Ownership interest held by the group	
Subsidiaries of DataGene Ltd and controlled entity:		2019	2018
		%	%
ADHIS Pty Ltd	Australia	100	100
Ownership interest are the same as voting rights			

DATAGENE LTD AND CONTROLLED ENTITY

ABN: 78 613 579 614

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019****NOTE 14: RELATED PARTY TRANSACTIONS****(a) Transactions with key management personnel of the entity or its parent and their personally related entities**

Dairy Australia and NHIA are both founding members of DataGene Ltd. Chairman Ross Joblin is engaged as a consultant at Dairy Australia and director Graeme Gillan is the Chief Executive Officer of Holstein as well as Chairman and Director of NHIA.

Director James Smallwood is the General Manager of ABS Australia who is also a member of DataGene Ltd. All purchase transactions through ABS Australia were at arm's length.

The consolidated group entered into related party transactions with the following parties:

	2019	2018
	\$	\$
Dairy Australia funding and sales	3,029,932	2,983,142
NHIA sales	60,184	2,500
Holstein sales	589,868	219,183
Dairy Australia purchases	(11,628)	(27,387)
NHIA purchases	(491)	(8,898)
Holstein purchases	(115,477)	(97,541)
Dairy Australia trade debtors	250,241	220,688
NHIA trade debtors	6,005	2,750
Holstein trade debtors	186,143	66,172
Holstein trade creditors	(3,980)	(440)

NOTE 15: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the group for the financial year 1 July 2018 to 30 June 2019.

- short-term employee benefits	561,073	527,395
- post-employment benefits	<u>54,962</u>	<u>50,102</u>
	<u><u>616,035</u></u>	<u><u>577,497</u></u>

NOTE 16: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 30 June 2019 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 30 June 2019, of the group, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 30 June 2019, of the group.

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

NOTE 17: MEMBERS' GUARANTEE

The group is incorporated under the *Corporations Act 2001* and is a group limited by guarantee. If the group 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 2019 the number of members was 26. The combined total amount that members of the group are liable to contribute if the group is wound up is \$260.

DATAGENE LTD AND CONTROLLED ENTITY

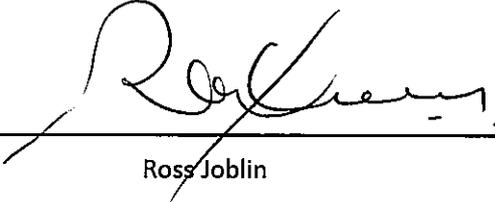
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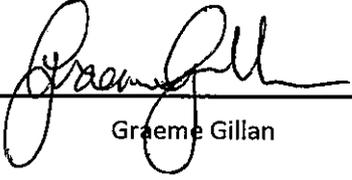
DIRECTORS' DECLARATION

The directors declare that:

1. there are reasonable grounds to believe that the registered entity is able to pay all of its debts, as and when they become due and payable; and
2. the financial statements and notes satisfy the requirements of the *Australian Charities and Not-for-profits Commission Act 2012*.

Signed in accordance with subsection 60.15(2) of the *Australian Charities and Not-for-profit Commission Regulation 2013*.

Director: 
Ross Joblin

Director: 
Graeme Gillan

Dated this 27 day of September 2019

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 subsidiaries, "the Group", which comprises the consolidated statement of financial position as at 30 June 2019, 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 year 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 2019 and of its financial performance for the year 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 year ended 30 June 2019, 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:

DATAGENE LTD AND CONTROLLED ENTITY
ABN: 78 613 579 614

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

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

- 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.
- 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

30 September 2019



PITCHER PARTNERS

Melbourne



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