# Medvet Science Pty Ltd

Financial report
for the year ended
30 June 2018

# INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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## To the members of Medvet Science Pty Ltd

In accordance with section 33 of the *Public Finance and Audit Act 1987*, I have audited the financial report of the Medvet Science Pty Ltd for the financial year ended 30 June 2018.

## Opinion

In my opinion, the accompanying financial report of Medvet Science Pty Ltd is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the company's financial position as at 30 June 2018 and its financial performance for the year then ended; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Directors' Declaration.

## Basis for opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of Medvet Science Pty Ltd in accordance with the auditor independence requirements of the *Corporations Act 2001*. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General.

I confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Medvet Science Pty Ltd, would be in the same terms if given to the directors as at the time of this auditor's report. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

## Responsibilities of the directors for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the entity's financial reporting process.

## Auditor's responsibilities for the audit of the financial report

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I 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 my 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

- 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 company's 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 company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company 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.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Managing Director and the Directors about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

Andrew Richardson
**Auditor-General**
31 August 2018

**MEDVET SCIENCE PTY LTD**
**A.B.N. 15 008 089 745**
**STATEMENT OF COMPREHENSIVE INCOME**
**For the Year Ended 30 June 2018**

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| Sales and service revenue | | 12,375,335 | 10,072,895 |
| Cost of sales | | (7,506,323) | (5,672,532) |
| **Gross profit** | | **4,869,012** | **4,400,363** |
| Other revenue | 7 | 648,935 | 705,027 |
| Fair value gains/(losses) | 8 | 246,218 | 955,151 |
| Sales and marketing expenses | | (3,704,920) | (3,553,256) |
| Administration expenses | | (2,000,400) | (1,927,137) |
| Medical research support donations | | (1,469,614) | (383,500) |
| **Results from operating activities** | | **(1,410,769)** | **196,648** |
| Interest income | 7 | 105,593 | 143,625 |
| Profit from continued operations | | (1,305,176) | 340,273 |
| Profit from discontinued operations | | - | 44,243 |
| **(Loss)/Profit for the year** | | **(1,305,176)** | **384,516** |
| **Other comprehensive income/(loss)** | | | |
| **Items that may be reclassified to profit or loss** | | | |
| Changes in fair value of available for sale financial assets | | 39,945 | 3,280 |
| **Other comprehensive income/(loss) for the year** | | **39,945** | **3,280** |
| **Total comprehensive income/(loss) for the year** | | **(1,265,231)** | **387,796** |

The accompanying notes form part of these financial statements

**MEDVET SCIENCE PTY LTD**
**A.B.N. 15 008 089 745**
**STATEMENT OF FINANCIAL POSITION**
**As at 30 June 2018**

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 9 | 2,323,994 | 1,610,983 |
| Other financial assets | 10 | 1,534,746 | 1,995,854 |
| Financial assets at fair value through profit or loss | 11 | 3,562,127 | 5,417,295 |
| Trade and other receivables | 12 | 2,482,695 | 1,947,733 |
| Inventories | 13 | 277,886 | 214,181 |
| TOTAL CURRENT ASSETS | | 10,181,448 | 11,186,046 |
| **NON-CURRENT ASSETS** | | | |
| Other financial assets | 10 | 1,618,300 | 1,618,300 |
| Available-for-sale financial assets | 14 | 422,953 | 383,008 |
| Investment property | 15 | 4,670,000 | 4,670,000 |
| Plant and equipment | 16 | 602,435 | 363,692 |
| TOTAL NON-CURRENT ASSETS | | 7,313,688 | 7,035,000 |
| **TOTAL ASSETS** | | 17,495,136 | 18,221,046 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 17 | 1,842,044 | 1,417,393 |
| Employee benefits | 18 | 657,900 | 536,060 |
| TOTAL CURRENT LIABILITIES | | 2,499,944 | 1,953,453 |
| **NON-CURRENT LIABILITIES** | | | |
| Employee benefits | 18 | 19,306 | 26,476 |
| TOTAL NON-CURRENT LIABILITIES | | 19,306 | 26,476 |
| TOTAL LIABILITIES | | 2,519,250 | 1,979,929 |
| **NET ASSETS** | | 14,975,886 | 16,241,117 |
| **EQUITY** | | | |
| Ordinary share capital | 19 | 1,150,000 | 1,150,000 |
| Investment revaluation reserve | 20 | 80,108 | 40,163 |
| Retained earnings | 21 | 13,745,778 | 15,050,954 |
| TOTAL SHAREHOLDERS' EQUITY | | 14,975,886 | 16,241,117 |

The accompanying notes form part of these financial statements

**MEDVET SCIENCE PTY LTD**
**A.B.N. 15 008 089 745**
**STATEMENT OF CHANGES IN EQUITY**
**For the Year Ended 30 June 2018**

| | Ordinary Share Capital $ | Investments Revaluation Reserve $ | Retained Earnings $ | Total $ |
|---|---|---|---|---|
| **Balance at 30 June 2016** | 1,150,000 | 36,883 | 14,666,438 | 15,853,321 |
| **Net Result 2016-17** | - | - | 384,516 | 384,516 |
| Other comprehensive income for the year | - | 3,280 | - | 3,280 |
| **Balance at 30 June 2017** | 1,150,000 | 40,163 | 15,050,954 | 16,241,117 |
| **Net Result 2017-18** | - | - | (1,305,176) | (1,305,176) |
| Other comprehensive income for the year | - | 39,945 | - | 39,945 |
| **Balance at 30 June 2018** | 1,150,000 | 80,108 | 13,745,778 | 14,975,886 |

The accompanying notes form part of these financial statements

**MEDVET SCIENCE PTY LTD**
**A.B.N. 15 008 089 745**
**STATEMENT OF CASH FLOWS**
**For the Year Ended 30 June 2018**

| | Note | 2018<br>$ | 2017<br>$ |
|---|---|---|---|
| | | Inflows<br>(Outflows) | Inflows<br>(Outflows) |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Receipts from customers (inclusive of goods and services tax) | | 13,177,494 | 11,078,385 |
| Payments to suppliers and employee benefits (inclusive of goods and services tax) | | (15,354,662) | (12,272,447) |
| Other revenue | | 766,500 | 882,924 |
| Nét cash provided by/(used in) operating activities | 22 | (1,410,668) | (311,138) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payments for plant and equipment | | (438,815) | (230,514) |
| Payments for financial assets at fair value through profit or loss | | (1,979,866) | (5,518,707) |
| Proceeds from sale of financial assets at fair value through profit or loss | | 4,081,252 | 3,769,241 |
| Proceeds from disposal of available-for-sale financial assets | | - | 80,149 |
| Payments for other financial assets | | (38,892) | (124,617) |
| Proceeds from redemption of other financial assets | | 500,000 | 2,234,020 |
| Net cash (used in)/provided by investing activities | | 2,123,679 | 209,572 |
| CASH FLOW FROM FINANCING ACTIVITIES | | - | - |
| Net increase in cash held | | 713,011 | (101,566) |
| Cash and cash equivalents at 1 July | | 1,610,983 | 1,712,549 |
| Cash and cash equivalents at 30 June | 9 | 2,323,994 | 1,610,983 |

The accompanying notes form part of these financial statements

## 1. Statement of significant accounting policies

The financial statements of Medvet Science Pty Ltd ("the Company") for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 28 August 2018.

**Basis of preparation**

The financial statements are general purpose financial statements that have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Australian Accounting Interpretations of the Australian Accounting Standards Board (AASB).

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

*Reporting Basis and Conventions*
The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs except for available for sale financial assets, financial assets at fair value through the profit and loss and investment properties which are measured at fair value.

The financial statements are presented in Australian Dollars, rounded to the nearest dollar.

*Compliance with IFRS*
The financial statements comply with Australian Accounting Standards as issued by the AASB and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The following abbreviations are used in the notes to the financial statements;

- Institute of Medical and Veterinary Science — IMVS
- The Royal Adelaide Hospital* — RAH
- Central Adelaide Local Health Network — CALHN

* Royal Adelaide Hospital is a public hospital governed by CALHN, which is incorporated under the Health Care Act 2008.

**Accounting policies**

**a. Cash and cash equivalents**

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash includes cash on hand and all at call deposits with banks, financial institutions, and money market instruments with original maturities of three months or less and are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

**b. Investments and other financial assets**

Investments and financial assets are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

*Recognition and derecognition*
All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.
When securities are classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

*Measurement*
At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the profit or loss are expensed in profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available for sale financial assets and financial assets at fair value through the profit or loss are subsequently carried at fair value.

Gains or losses arising from changes in the fair value are recognised as follows:
- For financial assets at fair value through the profit or loss – in profit or loss within fair value gains/(losses)
- For securities classified as available for sale in other comprehensive income

*Impairment*
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

**c. Investment property**

The Company has adopted the fair value model of investment property recognition for land and buildings located at 20 Dalgleish Street, Thebarton, South Australia. The property is leased to Oxoid Australia Pty Ltd and the original lease was for a period of 12 years, commencing September 2003, with two options to extend the initial term for periods of five years each. A variation to the lease agreement extended the initial term by 12 months from September 2015. The lessee exercised the first option to extend the lease for 5 years from September 2016.

An independent valuation of the asset was conducted in March 2017 in accordance with AASB 140 Investment Property. Details are disclosed in Note 15. The valuation will be updated every three years (consistent with SA Health accounting policy) or more regularly if there are indicators the most recent valuation is no longer appropriate.

Gains or losses arising from changes in fair value are recognised in profit or loss in the period in which they arise.

**d. Property, plant and equipment**

All property, plant and equipment assets, having a limited useful life, are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential. Depreciation is applied to physical assets such as property, plant and equipment. The residual values, useful lives and amortisation methods of all major assets held by the company are reviewed and adjusted if appropriate on an annual basis.

The value of any leasehold improvements are amortised over the estimated useful life of each improvement, or the unexpired period of the relevant lease, whichever is shorter.

Fixed assets are measured at cost less accumulated depreciation and they are generally depreciated on a straight line basis over the estimated useful life to the Company. Depreciation rates in the current and comparative period; plant and equipment 5% to 20% and computer equipment 20% to 33% per annum.

The Company adopted a fixed asset capitalisation threshold of $10,000 in the year ended 30 June 2007 which is also consistent with SA Health accounting policy. Management consider this to be appropriate.

**e. Impairment of non-financial assets**

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

**f. Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. The cost of inventory provided to staff for testing services is expensed when issued and classified as a selling expense. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling expenses.

## g. Trade receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently valued at amortised cost, using the effective interest rate method, less provision for impairment.

Collectability of trade receivables is reviewed on an on-going basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Company will not be able to collect the receivable.

## h. Employee benefits

Provisions have been made for the company's liability for employee entitlements arising from services rendered to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year have been measured at the amount expected to be paid when the liability is settled plus related on-costs. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements. In determining the liability, consideration is given to employee wage increases and the probability that the employees may not satisfy vesting requirements. These cash flows were discounted using market yields on national government bonds with terms to maturity that reflect the expected timing of cash flows.

Company contributions to an employee superannuation fund are charged as expenses when incurred.

## i. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that an outflow can be reliably measured.

## j. Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

i. Company as a lessee
Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

ii. Company as a lessor
Leases in which the Company retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income. The respective leased assets are included in the statement of financial position based on their nature.

## k. Trade payables

Trade and other payables are recognised initially at fair value and subsequently valued at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**l. Significant accounting judgements, estimates and assumptions**

*Valuation of Investment Property*
The fair value of investment property is determined at least every three years based on a valuation performed by an independent, experienced valuation expert with recognised professional qualifications. The valuation of the Investment Property is performed using the Market approach. This uses recent observable market data for similar properties as the basis for determining the investment properties fair value.

**m. Revenue**

Revenue for the sale of goods and the rendering of services in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised upon delivery of the goods or service to the customers.

Interest revenue is recognised as it accrues using the effective interest method. Interest revenue includes interest earned on funds held on behalf of other bodies.

Rental income from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease. Rental revenue from subleased property is recognised as other revenue.

Dividends on financial assets at fair value through the profit or loss and available for sale financial assets are recognised in profit or loss as part of other revenue when the right to receive payments is established.

**n. Specifically funded projects**

The Company administers research and other projects which are specifically funded by external bodies.

**o. Research and development**

Research and development expenses which do not form part of a specifically funded project are recognised in the income statement if and when incurred.

**p. Income tax**

The Company is exempt from income tax.

**q. Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax.

Receivables and payables are stated in the financial statements with the amount of GST included. The net amount of GST payable to (or receivable from) the Australian Taxation Office is included as part of payables (or receivables) in the statement of financial position.

Cash flows in the cash flow statement have been reported on a gross basis.

**r. Change in accounting policy**

There have been no significant changes in Accounting Policy during the year.

## 2. Purpose

The Company was established to support the development of intellectual property for Central Adelaide Local Health Network (CALHN) and is a for profit entity for the purpose of preparing these accounts.

Since its establishment the Company has committed over $38 million from its operating profits to support research for CALHN. This support, together with ongoing development of intellectual property for CAHLN from SA Pathology, the Royal Adelaide Hospital campus and The Queen Elizabeth Hospital campus, which the Company has licensed to biotechnology companies, ensures patents are developed and maintained, research is funded, intellectual property is licenced and development partners are engaged.

*Principal activities*
The principle activities of the Company for the year ended 30 June 2018 were the support of medical research and the development of intellectual property for CALHN through:
a. management and commercialisation services for intellectual property;
b. provision of medical and health related products and services to various markets;
c. provision of debt recovery, management, consultation and other related services.

During the year, the Company provided $2.8 million (2017 $1.5 million) in support of research and Intellectual Property Commercialisation.

*Capital Management*
The company's objectives when managing capital are:

- Safeguard their ability to continue as a going concern, so the company continues to provide funds to support medical research and benefits for other stakeholders and,
- Maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## 3. Relationship with CALHN

Medvet Science Pty Ltd is a proprietary company incorporated under the provisions of the Corporations Act 2001. Formation of the Company was promoted by the IMVS under the 1985 amendment to Section 14 (2) (ab) of the IMVS Act 1982.

Effective 1 July 2008 the Health Care Act 2008 was proclaimed, the IMVS dissolved and laboratory services previously provided by IMVS were consolidated with two other government laboratories to form SA Pathology, a unit of CALHN.

Effective 1 July 2011, the Health Care (Local Health Networks) Proclamation 2011 came into operation. The effect of this proclamation was to change the name of the Adelaide Health Service Incorporated to Central Adelaide Local Health Network Incorporated.

From 1 July 2011 all issued capital of the company (1,150,000 ordinary shares) is held by Central Adelaide Local Health Network Incorporated. Ordinary shares entitle the holder to participate in dividends and to share in the proceeds of winding up the company.

No cash dividend has been declared or paid in 2017/18(2016/17: Nil).

## 4. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted. The assessment of the impact of these new standards and interpretations is set out below.

a. **AASB 9 Financial Instruments** addresses the classification, measurement and de-recognition of financial assets and financial liabilities and is applicable for the Company on or after 1 July 2018. The standard will affect in particular, the company's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the company recognised $39,945 gain in other comprehensive income.

   The new impairment model requires the recognition of impairment provisions based on expected credit losses, rather than incurred credit losses, as is the case under existing standards.

   The new standard also introduces expanded disclosure requirements and changes in presentation.

   We are currently in the process of completing an impact assessment of the adoption of AASB9, however, based on a preliminary review, the effects of AASB 9 are not expected to have a material effect on the results of operations of the company.

b. **AASB 15 Revenue from Contract with Customers** will replace AASB 118 and is applicable for the Company on 1 July 2018. Apart from a few limited exceptions, including leases, the new standard will apply to all contracts with customers and is based on the principle that revenue is recognised when control of the good or service transfers to a customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

   The transitional provisions of this standard permit an entity to either restate the contracts that existed in each prior period presented per *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application.

   Based on the preliminary assessment performed for each line of business, the effects of AASB15 are not expected to have a material effect on the results of operations of the Company.

c. **AASB 16 Leases** introduces a single lease accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is low value. The new standard does not make any significant changes to lessor accounting and as such is only expected to impact lease accounting from a lessee's perspective. The standard is not applicable for the Company until 1 July 2019.

   Although the Directors anticipate that the adoption of AASB 16 will impact the Company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact. The current lease commitments AASB 16 is going to impact are disclosed in note 24.

## 5. Discontinued Operations

On the 28 February 2017, the Board of Directors approved the closure of the Food Testing business as at 30 June 2017. Notifications to interested parties were distributed prior to this date.

Financial information relating to the discontinued operation for the period to the date of closure is set out below.

The financial performance of the discontinued operation to the date of closure, which is included in the profit/(loss) from discontinued operations per the statement of comprehensive income, is as follows:

| | 2018 | 2017 |
|---|---|---|
| | $ | |
| Revenue | - | 300,664 |
| Expenses | - | (256,421) |
| Profit attributable to the discontinued operation | - | 44,243 |

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Net cash flows from operating activities | - | 89,070 |
| Net cash flows from investing activities | - | - |
| Net cash flows from financing activities | - | - |
| Net cash flows from discontinued operations | - | 89,070 |

| | 2018 | 2017 |
|---|---|---|
| | $ | $ |
| Effect of discontinued operation on financial position of group | Nil | Nil |

| | | Note | 2018 $ | 2017 $ |
|---|---|---|---|---|
| **6** | **Expenses** | | | |
| | Profit attributable to the company has been determined after: | | | |
| | Expenses | | | |
| (a) | Doubtful debts | | - | 9,239 |
| | Written off bad debts | | 1,000 | 20,659 |
| | | | 1,000 | 29,898 |
| (b) | Finance expenses | | | |
| | Bank fees | | 15,670 | 17,443 |
| | Investment portfolio management fee | | 52,902 | 51,303 |
| | Total finance expense | | 68,572 | 68,746 |
| (c) | Auditors remuneration for auditing the financial statements | | | |
| | - for the year ended 30 June | | 60,000 | 62,000 |
| (d) | Rental expense on operating leases | | 255,914 | 196,692 |
| (e) | Depreciation | | | |
| | Depreciation | 16 | 200,072 | 127,699 |
| (f) | Employee benefit expenses | | | |
| | Salaries and wages | | 6,595,732 | 5,571,905 |
| | Defined contribution superannuation expense | | 592,532 | 533,902 |
| | Other employee benefits expense | | 510,764 | 440,989 |
| | Board fees | | 52,619 | 45,660 |
| | Total employee expenses | | 7,751,647 | 6,592,456 |
| **7** | **Other revenue** | | | |
| | Other revenue | | | |
| | Rental income from investment property | | 432,396 | 425,437 |
| | Other | | 23,632 | 81,230 |
| | Dividend income | | 192,907 | 198,360 |
| | | | 648,935 | 705,027 |
| | Interest income | | | |
| | Interest income on term deposits | | 85,956 | 119,240 |
| | Interest income on bank deposits | | 19,637 | 24,385 |
| | | | 105,593 | 143,625 |
| **8** | **Fair value gains / (losses)** | | | |
| | Net gain/(loss) on sale of available-for-sale financial assets | | - | 28,139 |
| | Revaluation of investment property | 15 | - | 845,000 |
| | Fair value gains on financial assets through profit and loss | | 246,218 | 82,012 |
| | | | 246,218 | 955,151 |
| **9** | **Cash and cash equivalents** | | | |
| | At call deposits with financial institutions | | 2,323,994 | 1,610,983 |
| **10** | **Other financial assets** | | | |
| | Current assets | | | |
| | Short term deposits less than 3 months from balance date | | 1,534,746 | 500,000 |
| | Short term deposits with greater than 3 months from balance date | | - | 1,495,854 |
| | | | 1,534,746 | 1,995,854 |
| | Non current assets | | | |
| | Long term deposits with greater than 12 months maturity from balance date | | 1,618,300 | 1,618,300 |
| | | | 1,618,300 | 1,618,300 |
| **11** | **Financial assets at fair value through profit or loss** | | | |
| | - shares in listed corporations, at fair value | | 2,493,735 | 2,997,696 |
| | - floating rate notes, at fair value | | 429,542 | 1,578,198 |
| | - listed securities and managed funds | | 638,850 | 841,401 |
| | | | 3,562,127 | 5,417,295 |

Changes in fair values of financial assets at fair value through the profit or loss are recorded in profit and loss. A $246,218 gain was recorded in other revenue in 2018 ( 2017 $82,012)

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|

## 12 Trade and other receivables

| | | | |
|---|---|---|---|
| Trade and other receivables | | 2,063,462 | 1,535,541 |
| Amounts receivable from related parties | | 140,833 | 153,842 |
| Allowance for impairment loss (a) | | (96,086) | (96,086) |
| | | 2,108,209 | 1,593,297 |
| Accrued revenue | | 189,977 | 183,016 |
| Prepaid expenses | | 184,509 | 171,420 |
| | | 374,486 | 354,436 |
| | | 2,482,695 | 1,947,733 |

**(a) Allowance for impairment loss**

Trade receivables are non-interest bearing and are generally on 30 day terms. Provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment charge has been recognised by the Company in the current year.

Movements in the provision for impairment loss were as follows:

| | | | |
|---|---|---|---|
| At 1 July | | 96,086 | 86,847 |
| Charge for the year | | - | 9,239 |
| At 30 June | | 96,086 | 96,086 |

At 30 June, the ageing analysis of trade receivables is as follows:

| | | | |
|---|---|---|---|
| Past due not impaired | | | |
| Up to 3 Months | | 476,301 | 372,269 |
| > 3 Months | | - | - |
| | | 476,301 | 372,269 |

Payment terms on these amounts have not been re-negotiated, however the Company is satisfied that payment will be received in full.

## 13 Inventories

| | | | |
|---|---|---|---|
| Finished goods | | 277,886 | 214,181 |
| Provision for impairment | | - | - |
| | | 277,886 | 214,181 |

## 14 Available for sale financial assets

| | | | |
|---|---|---|---|
| Listed investments: | | | |
| - shares in listed corporations, at fair value | | - | - |
| - floating rate notes, at fair value | | 422,953 | 383,008 |
| - listed securities and managed funds | | - | - |
| Total available for sale financial assets | | 422,953 | 383,008 |

The fair value of listed available for sale investments has been determined directly by a reference to published price quotations in an active market.
During the year the board of directors regularly assesses the Company's portfolio and determines the Company's medium to long term investment strategies including any impairment.

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **15 Investment property** | | | |
| Land and buildings at fair value | | 4,670,000 | 4,670,000 |
| | | 4,670,000 | 4,670,000 |
| **(a)** Movements in carrying amounts | | | |
| Opening balance | | 4,670,000 | 3,825,000 |
| Net gain from fair value adjustment | | - | 845,000 |
| Carrying amount at end of year | | 4,670,000 | 4,670,000 |

**(b)** Land and buildings are leased to an external party pursuant to an operating lease. An independent valuation of the land and buildings located at 20 Dalgleish Street, Thebarton was prepared by Knight Frank, Qualified Valuers and Property Consultants, in accordance with Australian Accounting Standard AASB140 as at June 2017.
In assessing the market value, the valuer has adopted the capitalisation of net market approach as the primary valuation method with the direct comparison approach as a check method. This resulted in a level 2 fair value. Fair value hierachy has been explained in detail in note 27(f).
The market fair value of the property was determined to be $4,670,000 at 30 June 2017
Under State government policy this class of asset is required to be independently valued every 3 years. Next valuation for this purpose is due June 2020.
Rental income amounting to $432,396 has been recognised during the year. (2017: $425,437)
The lessee is responsible for payment of all outgoings.

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **16 Plant and equipment** | | | |
| Plant and equipment at cost | | 1,827,395 | 1,388,580 |
| Accumulated depreciation | | (1,224,960) | (1,024,888) |
| Total plant and equipment | | 602,435 | 363,692 |
| Movements in carrying amounts | | | |
| Opening balance at 1 July | | 363,692 | 256,401 |
| Additions | | 438,815 | 246,119 |
| Disposals | | - | (11,129) |
| Depreciation | | (200,072) | (127,699) |
| Carrying amount at 30 June | | 602,435 | 363,692 |
| **17 Payables** | | | |
| **Current** | | | |
| Trade creditors | | 74,207 | 124,156 |
| Amounts payable to related parties | | 336,815 | 339,161 |
| Sundry and other creditors | | 1,431,022 | 954,076 |
| Total trade and other payables | | 1,842,044 | 1,417,393 |

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| Current liabilities include amounts held on behalf of other parties $933,488 as at 30 June 2018 ( $457,804 as at 30 June 2017) that are payable on demand but are unlikely to be required at short notice. | | | |

18

**Employee benefits**

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| **Current** | | | |
| Annual leave entitlements | | 282,130 | 230,727 |
| Long service leave entitlements | | 375,770 | 305,333 |
| | | 657,900 | 536,060 |

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision 2018-$657,900 (2017- $536,060) is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations. However based on past experience the following amounts reflect the leave not expected to be taken or paid within the next 12 months.

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| Current Leave obligations to be settled after 12 months | | 315,781 | 257,300 |
| **Non-current** | | | |
| Long service leave entitlements | | 19,306 | 26,476 |
| Total employee entitlement liability | | 677,206 | 562,536 |

19

**Issued capital**

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| 1,150,000 fully paid ordinary shares | 3 | 1,150,000 | 1,150,000 |

No cash dividend has been declared or paid in 2017/18

20

**Reserves**

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| Investments revaluation reserve - available for sale financial assets | | 80,108 | 40,163 |
| | | 80,108 | 40,163 |

The investments revaluation reserve records changes in the fair value on available for sale financial assets. Amounts are reclassified to profit or loss when the asset is sold or impaired.

21

**Retained earnings**

| | | 2018 $ | 2017 $ |
|---|---|---|---|
| **Retained earings balance at beginning of year** | | 15,050,954 | 14,666,438 |
| Net profit for the year | | (1,305,176) | 384,516 |
| **Retained earnings at end of the financial year** | | 13,745,778 | 15,050,954 |

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|
| **22 Reconciliation of net profit to net cash flows from operations** | | | |
| **Profit/(loss) for the year** | | (1,305,176) | 384,516 |
| Depreciation | | 200,072 | 127,699 |
| Revaluation of investment property | | - | (845,000) |
| Disposal of assets | | - | (4,477) |
| Net gain/(loss) on sale of available for sale financial instruments | | - | (28,139) |
| Fair value (gains) on financial assets through profit and loss | | (246,218) | (82,012) |
| ***Changes in assets and liabilities*** | | | |
| (Increase)/Decrease in trade and other receivables | | (534,962) | (97,371) |
| (Increase)/Decrease in inventories | | (63,705) | 46,500 |
| Increase/(Decrease) in trade and other payables | | 424,651 | 145,195 |
| Increase/(Decrease) in employee benefits | | 114,670 | 41,951 |
| **Cash inflow/(outflow) from operating activities** | | (1,410,668) | (311,138) |

## 23 Capital expenditure commitments

| | 2018 $ | 2017 $ |
|---|---|---|
| Capital expenditure commitments payable - not later than 1 year | 66,827 | 93,800 |

## 24 Leasing commitments

**Disclosures by lessee**
leases as at 30 June are as follows:

| | 2018 $ | 2017 $ |
|---|---|---|
| - not later than 1 year | 194,818 | 77,019 |
| - later than 1 year but not later than 5 years | 220,000 | 12,650 |
| - greater than 5 years | | |
| | 414,818 | 89,669 |

Property leases with rent payable monthly in advance.

**Disclosures by lessor**
Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:

| | 2018 $ | 2017 $ |
|---|---|---|
| - not later than 1 year | 469,392 | 462,000 |
| - later than 1 year but not later than 5 years | 1,017,016 | 1,463,000 |
| - greater than 5 years | - | - |
| | 1,486,408 | 1,925,000 |

Five year property lease commencing September 2016 for premises located at 20 Dalgleish Street, Thebarton, SA with rent collectable monthly in advance.

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|

**25 Key management personnel**

**(a) Details of key management personnel**

*Directors*
Donald Stuart Mackie (Appointed 08/11/2017)
Paul Damian Flynn (Appointed 08/11/2017)
Anne Therese Hinton (Appointed 08/11/2017)
Marco Baccanti (Appointed 11/11/2017)
Mr Gregory Harold Johansen (Re-appointed 10/03/2018)
Mr Ian Kowalick (Resigned 17/11/2017)
Mr Tim Burfield (Resigned 17/11/2017)

**(b) Compensation for key management personnel**

| | 2018 $ | 2017 $ |
|---|---|---|
| Short-term benefits: | 367,592 | 355,912 |
| Long-term benefits | 29,965 | 37,936 |
| Total compensation | 397,557 | 393,848 |

**26 Superannuation commitments**

During the financial year the Company participated in an employee superannuation plan. The Company pays fixed contributions into separte entities and has no legal or constructive obligation to pay further amounts. Benefits provided under the plan are based on accumulated contributions and fund earnings for each employee. Obligations for contributions to defined superannuation plans are recognised as an employee benefit expense in note 5(f).

**27 Related party transactions**

The Company undertook the following transactions with CALHN, under arms length commercial terms and conditions:

| | 2018 $ | 2017 $ |
|---|---|---|
| - sales of goods and services | 1,386,774 | 1,499,127 |
| - acquisition of goods and services | 1,184,794 | 133,980 |
| - amounts receivable from | 140,833 | 153,842 |
| - amounts payable to | 336,815 | 339,161 |

| | Note | 2018 $ | 2017 $ |
|---|---|---|---|

## 28 Financial risk management objectives and policies

The Company's principal financial instruments comprise, receivables, trade and other payables, financial assets at fair value through profit and loss, available for sale investments, cash and short term deposits. The Company manages its exposure to key financial risk including interest rate and currency risk in accordance with the Board's policy of managing the majority of its financial investments through an independent, professional investment advisor who provides regular portfolio performance reports for Board review, overseeing the Company's liquidity and ensuring timely turnover of receivables and payables.

The Board reviews and agrees policies for each of the risks identified below.

(a) Interest rate risk

This item relates to the Company's exposure to interest rate risk i.e., the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average market interest rates on those financial assets.

| | 2018 | 2017 |
|---|---|---|
| Weighted average effective interest rate | | |
| - cash at bank | 0.95% | 1.40% |
| - Short term deposits less than 3 months from balance date | 2.50% | 2.95% |
| - Short term deposits with greater than 3 months from balance date | 3.12% | 2.60% |
| | | |
| - cash at bank | 2,323,994 | 1,610,983 |
| - Short term deposits less than 3 months from balance date | 1,534,746 | 500,000 |
| - Short term deposits with greater than 3 months from balance date | 1,618,300 | 3,114,154 |
| | 5,477,040 | 5,225,137 |

Interest rates on all the financial assets detailed above are either fixed for various terms ranging from 3 to 42 months or are floating and are reset to market rates at maturity.

The following sensitivity analysis is based on the interest rate risk exposure in existence at balance date:

| | Profit - higher (lower) 2018 $ | 2017 $ |
|---|---|---|
| +1% (100 basis points) | 31,530 | 36,000 |
| -1% (100 basis points) | (31,530) | (36,000) |

(b) Price risk

The Company's exposure to equity securities price risk arises from investments held by the Company and classified in the statement of financial position as available-for-sale (note 13) or at fair value through profit or loss (note 10).

To manage its price risk arising from investments in equity securities, the company ensures the majority of the equities can be converted to cash through a public stock market trade and diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Company.

The following sensitivity analysis is based on the equity market risk exposure in existence at balance date:

| | Profit - higher (lower) | |
|---|---|---|
| | 2018 | 2017 |
| | $ | $ |
| +9.6% (2017 8.0%) | 382,600 | 459,200 |
| -9.6% (2017 -8.0%) | (382,600) | (459,200) |

Profit for the period would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other comprehensive income would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

The amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss held by the Company are disclosed in Note 10. The amounts recognised in other comprehensive income in relation to available-for-sale financial assets held by the Company in 2018 was $39,945 gain (2017: $3,280 gain).

(c) Foreign currency risk

The Company has an exposure to foreign currency risk on inventory purchases in currencies other than Australian dollars. The risk is not significant and is managed via a forward contract facility once firm commitments have been made.

(d) Credit risk

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Individual receivables which are known to be uncollectable are written off by reducing the carrying amount directly. Note 11 details the movement in the provision for impairment and the receivables past due but not impaired.

(e) Liquidity risk

The Company has significant funds invested in fair value through profit or loss available-for-sale financial instruments which provide high liquidity. The Company also manages its cash flow to ensure it meets its obligations to creditors in a timely manner.

At the end of the reporting period the group held deposits at call of $2,323,994 (2017 $1,610,983) that are expected to readily generate cash inflows for managing liquidity risk.

(f) Fair value hierarchy

*(i)Financial assets*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2:The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

| *Financial assets at fair value through proft or loss* | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| **30 June 2018 - financial assets at fair value** | 3,562,127 | - | - |
| **30 June 2017 - financial assets at fair value** | 5,417,295 | - | - |
| *Available-for-sale financial assets* | | | |
| **30 June 2018 - available for sale financial assets** | 422,953 | - | - |
| **30 June 2017 - available for sale financial assets** | 383,008 | - | - |

The fair value of shares held by the Company is determined by reference to the quoted prices provided by Centric Wealth Management (the Company's investment Adviser) at the end of the reporting period. The fair value is classified as Level 1 of the fair value hierarchy as per AASB 15.27A. For all other financial instruments, Medvet considers that the carrying amount of financial assets and financial liabilities recorded in the financial statements to be their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

*(ii) Non-financial assets*

| Investment property | | | |
|---|---|---|---|
| **30 June 2018 - Land and buildings** | - | 4,670,000 | - |
| **30 June 2017 - Land and buildings** | - | 4,670,000 | - |

The valuation method for the investment property has been disclosed in note 14.

**29 Events after the balance sheet date**

There have been no matters or circumstances that have arisen since the end of the year that have significantly affected, or may significantly affect the Company's operation, the results of those operations or the Company's state of affairs in future financial years.

**30 Contingent assets**

No contingent assets identified

**31 Contingent liabilities**

The company has bank guarantees for $10,896 at 30 June 2018 for office leases. (2017: $10,896)

**32 Company details**

The registered office and principal place of business of the Company is:

Medvet Science Pty Ltd
65 Hardys Road
Underdale SA 5032

The Company is a company limited by shares, incorporated and domiciled in Australia.

Medvet.

**MEDVET SCIENCE PTY LTD**
ABN 15 008 089 745

## DIRECTORS' DECLARATION

The directors of Medvet Science Pty Ltd declare that:

(1) the financial statements and notes, as set out on pages 1 to 22, are in accordance with the Corporations Act 2001 and:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

(c) internal controls over financial reporting have been effective throughout the reporting period.

(2) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of directors by:

Director: .............................................. Director: ..............................................

Dated this ........28th........ day of August 2018