Financial statements

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Agriculture, Fisheries and Forestry

Scope

I have audited the accompanying financial statements of the Grains Research and Development Corporation for the year ended 30 June 2007, which comprise: a statement by Directors; income statement; balance sheet; statement of changes in equity; statement of cash flows; schedule of commitments; a summary of significant accounting policies; and other explanatory notes.

The Responsibility of the Board of Directors for the Financial Statements

The members of the Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997* and the Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Grains Research and Development Corporation's preparation and fair presentation of the financial statements

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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 Grains Research and Development Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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

Independence

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the ethical requirements of the Australian accounting profession.

Auditor's Opinion

In my opinion, the financial statements of the Grains Research and Development Corporation:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997,* and the Australian Accounting Standards (including the Australian Accounting Interpretations); and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Grains Research and Development Corporation's financial position as at 30 June 2007 and of its financial performance and its cash flows for the year then ended.

Australian National Audit Office

Michael White

Michael White
Executive Director
Delegate of the Auditor-General

Canberra
15 August 2007

Statement by directors

In our opinion, the attached financial statements for the year ended 30 June 2007 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997.*

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Corporation will be able to pay its debts as and when they become due and payable.

The Statement is made in accordance with a resolution of the directors.

Signed ....

Mr T J Enright
CHAIRMAN

Signed ....

Mr P F Reading
MANAGING DIRECTOR

Income statement

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 $'000	2006 $'000
INCOME			
Revenue			
Revenues from Government	4A	35,768	43,065
Interest	4B	5,015	5,673
Industry contributions	4C	50,868	60,861
Project refunds	4D	3,272	1,533
Royalties	4E	2,181	3,516
Other	4F	300	488
Total revenue		**97,404**	115,136
TOTAL INCOME		**97,404**	115,136
EXPENSES			
Research and development	5A	103,024	115,329
Employee benefits	5B	5,634	5,165
Suppliers	5C	5,063	5,633
Depreciation and amortisation	5D	571	424
Write-down and impairment of assets	5E	1,356	169
TOTAL EXPENSES		**115,648**	126,720
Share of operating results of associates and joint ventures accounted for using the equity method	6D	**(217)**	—
Surplus/(Deficit) before income tax		**(18,461)**	(11,584)
Income tax expense		—	—
SURPLUS/(DEFICIT) ATTRIBUTABLE TO THE AUSTRALIAN GOVERNMENT		**(18,461)**	(11,584)

The Income Statement is to be read in conjunction with the notes to and forming part of the financial statements.

Balance sheet

AS AT 30 JUNE 2007

	Notes	2007 $'000	2006 $'000
ASSETS			
Financial assets			
Cash and cash equivalents	6A	4,600	12,071
Receivables	6B	3,967	4,977
Investments	6C	86,146	100,872
Investments accounted for using the equity method	6D	83	—
Investments—other	6E	4,849	4,229
Total Financial Assets		**99,645**	122,149
Non-financial assets			
Land and buildings	7A, D	5,750	4,590
Infrastructure, plant and equipment	7B, D	326	417
Intangibles	7C, D	305	505
Other non-financial assets	7E	—	72
Total Non-Financial Assets		**6,381**	5,584
TOTAL ASSETS		**106,026**	127,733
LIABILITIES			
Provisions			
Employee provisions	8A	804	660
Total provisions		**804**	660
Payables			
Suppliers	9A	1,155	1,072
Research and development	9B	38,432	41,859
Contributions not yet utilised	9C	361	1,727
Total payables		**39,948**	44,658
TOTAL LIABILITIES		**40,752**	45,318
NET ASSETS		**65,274**	82,415
EQUITY			
Retained surplus/(accumulated deficit)		7,504	957
Asset revaluation reserve		2,832	1,512
Capital commitment reserve		1,021	3,133
Contracted research reserve		53,917	76,813
TOTAL EQUITY		**65,274**	82,415
Current liabilities		38,092	43,523
Non-current liabilities		2,660	1,795
Current assets		94,713	117,992
Non-current assets		11,313	9,741

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2007

	Accumulated Results		Asset Revaluation Reserve		Contracted Research Reserve		Capital Commitment Reserve		TOTAL EQUITY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Opening Balance	**957**	12,158	**1,512**	1,512	**76,813**	74,063	**3,133**	6,266	**82,415**	93,999
Adjustment for errors	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Adjustment for changes in Accounting policies	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—
Adjusted Opening Balance	**957**	12,158	**1,512**	1,512	**76,813**	74,063	**3,133**	6,266	**82,415**	93,999
Income and Expenses Net Revaluation increment/(decrement) (Note 7B)	**—**	—	**1,320**	—	**—**	—	**—**	—	**1,320**	—
Subtotal income and expenses recognised directly in equity	**—**	—	**1,320**	—	**—**	—	**—**	—	**1,320**	—
Surplus/(Deficit) for the period	**(18,461)**	(11,584)	**—**	—	**—**	—	**—**	—	**(18,461)**	(11,584)
Total income and expenses	**(18,461)**	(11,584)	**1,320**	—	**—**	—	**—**	—	**(18,461)**	(11,584)
Transfer between equity components	**25,008**	383	**—**	—	**(22,896)**	2,750	**(2,112)**	(3,133)	**—**	—
Closing Balance 30 June	**7,504**	957	**2,832**	1,512	**53,917**	76,813	**1,021**	3,133	**65,274**	82,415

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 $'000	2006 $'000
OPERATING ACTIVITIES			
Cash received			
Industry contributions		50,814	60,845
Commonwealth contributions		35,768	43,065
Interest		5,738	7,188
GST recovered from taxation authority		(356)	(1,016)
Other		7,518	4,713
Total cash received		**99,482**	114,795
Cash used			
Research and development		(108,175)	(111,691)
Employees		(5,490)	(5,149)
Suppliers		(4,916)	(5,417)
Total cash used		**(118,581)**	(122,257)
Net cash used by operating activities	10(b)	**(19,099)**	(7,462)
INVESTING ACTIVITIES			
Cash received			
Proceeds from sale of investments		18,597	49,784
Total cash received		**18,597**	49,784
Cash used			
Purchase of property, plant and equipment		(120)	(623)
Purchase of investments		(4,572)	(38,663)
Purchase of shares		(2,277)	(1,133)
Total cash used		**(6,969)**	(40,419)
Net cash from investing activities		**11,628**	9,365
Net increase/(decrease) in cash held		(7,471)	1,903
Cash at beginning of reporting period		12,071	10,168
Cash at end of reporting period	10(a)	**4,600**	12,071

The Statement of Cash Flows is to be read in conjunction with the notes to and forming part of the financial statements.

Schedule of commitments

AS AT 30 JUNE 2007

	2007 $'000	2006 $'000
BY TYPE		
Capital Commitments		
Investments in shares	1,021	3,133
Total capital commitments	**1,021**	3,133
Other Commitments		
Operating leases	220	162
Research projects forward program	120,739	136,205
Total other commitments	**120,959**	136,367
Commitments Receivable	(10,996)	(12,397)
Net Commitments by type	**110,984**	127,103
BY MATURITY		
Capital Commitments		
One year or less	1,021	3,133
One year to five years	—	—
Total capital commitments	**1,021**	3,133
Research Project Commitments		
One year or less	64,214	80,984
From one to five years	56,525	55,221
Over five years	—	—
Research Projects commitments	**120,739**	136,205
Operating Lease Commitments		
One year or less	113	75
One year to five years	107	87
Over five years	—	—
Total operating Lease commitments	**220**	162
Commitments Receivable	(10,996)	(12,397)
Net Commitments by maturity	**110,984**	127,103

NB: Commitments are GST inclusive where relevant.

Capital commitments are GRDC's commitment to purchase shares in Arista Cereal Technologies Pty Ltd and Philom Bios (Australia) Pty Ltd.

The Schedule of Commitments is to be read in conjunction with the notes to and forming part of the financial statements.

Schedule of commitments *continued*

Operating leases comprise:

Nature of the lease	*General description of leasing arrangement*
Motor vehicles—staff	Leased as part of salary packages No contingent rentals exist
Photocopiers and fax machines	Photocopiers and fax machines have rental agreements for a period of 5 years, after this time they are usually replaced with new rental equipment

Research project forward program commitments are amounts payable in respect of contracted Research Agreements held between the GRDC and research providers as at 30 June 2007.

The Schedule of Commitments is to be read in conjunction with the notes to and forming part of the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of Preparation of the Financial Statements

The financial statements are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997* and are a general purpose financial report.

The financial statements have been prepared in accordance with:

- Finance Minister's Orders for reporting periods ending on or after 1 July 2006; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless alternative treatment is specifically required by an Accounting Standard or the Finance Minister's Orders, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Corporation and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrealised are reported in the Schedule of Commitments and the Schedule of Contingencies.

Unless alternative treatment is specifically required by an Accounting Standard, revenues and expenses are recognised in the Income Statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.2 Significant Accounting Judgements and Estimates

The Corporation has made the following material estimates in relation to the carrying amounts of shares in unlisted companies:

- The valuation of unlisted shares held by the Corporation (as detailed in note 1.12) at each balance date is equivalent to the Corporation's share of net assets of each company.

1.3 Statement of Compliance

Australian Accounting Standards require a statement of compliance with International Financial Reporting Standards (IFRSs) to be made where the financial report complies with these standards. Some Australian equivalents to IFRSs and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. The Corporation is a not-for-profit entity and has applied these requirements, so while this financial report complies with Australian Accounting Standards including Australian Equivalents to International Financial Reporting Standards (AEIFRSs) it cannot make this statement.

Adoption of New Australian Accounting Standard Requirements

No Accounting Standard has been adopted earlier than the effective date in the current period.

The following amendments, revised standards or interpretations have become effective but have had no financial impact or do not apply to the operations of the Corporation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.3 Statement of Compliance *(continued)*

Amendments:

- 2005–4 Amendments to Australian Accounting Standards [AASBs 1, 132, 139, 1023, 1038]
- 2005–5 Amendments to Australian Accounting Standards [AASBs 1, 139]
- 2005–6 Amendments to Australian Accounting Standards [AASB 3]
- 2005–9 Amendments to Australian Accounting Standards [AASBs 4, 132, 139, 1023]
- 2006–3 Amendments to Australian Accounting Standards [AASB 1045]
- 2006–4 Amendments to Australian Accounting Standards [AASB 134]
- 2007–2 Amendments to Australian Accounting Standards [AASBs 1, 117, 118, 120, 121, 127, 131, 139]

Interpretations:

- UIG 4 Determining whether an Arrangement contains a Lease
- UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- UIG 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
- UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies
- UIG 8 Scope of AASB 2
- UIG 9 Reassessment of Embedded Derivatives

Future Australian Accounting Standard Requirements

The following new standards, amendments to standards or interpretations have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the adoption of these pronouncements when effective will have no material financial impact on future reporting periods.

Financial Instrument Disclosure

AASB 7 *Financial Instruments: Disclosure*s is effective for reporting periods beginning on or after 1 January 2007 (the 2007-08 financial year) and amends the disclosure requirements for financial instruments. In general AASB 7 requires greater disclosure than presently applicable. Associated with the introduction of AASB 7 a number of accounting standards were amended to reference the new standard or remove the present disclosure requirements through 2005-10 Amendments to Australian Accounting Standards [AASB 1, AASB 4, AASB 101, AASB 114, AASB 117, AASB 132, AASB 133, AASB 139, AASB 1023 and AASB 1038]. These changes have no financial impact but will affect the disclosure presented in future financial reports.

Other

The following standards, amendments to standards and interpretations have been issued but are not applicable to the operations of the Corporation.

- 2006-1 Amendments to Australian Accounting Standards [AASB 121]
- 2007-1 Amendments to Australian Accounting Standards [AASB 2]
- 2007-2 Amendments to Australian Accounting Standards [AASB 1]
- 2007-3 Amendments to Australian Accounting Standards [AASBs 5, 6, 102, 107, 119, 127, 134, 136, 1023, 1038]
- 2007-5 Amendments to Australian Accounting Standards [AASB 102]
- 2007-6 Amendments to Australian Accounting Standards [AASBs 1, 101, 107, 111, 116, 138, Interpretations 1, 12]
- AASB 1049 Financial Reporting of General Government Sectors by Governments
- UIG 10 Interim Financial Reporting and Impairment
- UIG 11 Group and Treasury Share Transactions
- UIG 12 Service Concession Arrangements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.4 Revenue

The revenues described in this note are revenues relating to the core activities of the Corporation.

Revenues from Government

Revenue paid to the Corporation under Section 32 of the *Primary Industries and Energy Research and Development Act 1989,* representing 0.5% of the three-year moving average of gross value of production of grains, is for the purpose of funding research and development activities. Revenues from Government are recognised when they are entitled to be received by the Corporation.

Industry Contributions

Revenue paid to the Corporation under Section 30 of the *Primary Industries and Energy Research and Development Act 1989,* where a research levy is attached to grain producers' output, is for the purpose of providing funds for research and development. Industry Contributions are recognised when they are entitled to be received by the Corporation.

Interest Revenue

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement.*

Project Refunds

Project Refunds are recognised upon receipt of the refund when it relates to prior years expenditure and when the funds accrued are not required for the completion of the project.

Royalties

Royalties are recognised when the royalty is entitled to be received by the Corporation.

1.5 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets (with the exception of investments in associates and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured) are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

1.6 Property (Land and Buildings and Infrastructure), Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than $2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Revaluations

Fair values for each class of asset are determined as shown below:

Asset Class	Fair Value Measured at:
Land	Market selling price
Building	Market selling price
Plant & equipment	Market selling price

1.6 Property (Land and Buildings and Infrastructure), Plant and Equipment *(continued)*

Following initial recognition at cost, property, plant and equipment are carried at fair value less accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not materially differ with the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through surplus and deficit. Revaluation decrements for a class of assets are recognised directly through surplus and deficit except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2007	**2006**
Buildings on leasehold land	25 years	25 years
Other Infrastructure, plant & equipment	3 to 5 years	3 to 5 years

Assets Purchased with Research Payments

Assets purchased with research payments may revert to the Corporation at the end of the research project period and will be accounted for appropriately at that date. During the financial year no research assets reverted to the Corporation.

Impairment

All assets were assessed for impairment at 30 June 2007. Where indicators of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Corporation were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

No indicators of impairment were found for assets at fair value.

1.7 Intangibles

The Corporation's intangibles comprise software for the new information management system and other software. These assets are carried at cost.

Intangible assets are amortised on a straight-line basis over their anticipated useful lives as follows:

	2007	**2006**
Information management system	2.5 years	2.5 years
Other intangibles	2.5 years	2.5 years

All software assets were assessed for indicators of impairment as at 30 June 2007.

1.8 Employee Benefits

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Corporation is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration, including the Corporation's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by using the Australian Government shorthand method. In applying this method, the accrued long service leave for each employee as at reporting date is probability weighted, based on the Australian Government probability profile. The amount obtained for each employee is then discounted using the ten year Treasury Bond rate. The total estimated liability for the Corporation is the sum of the liabilities for each employee.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The Corporation recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Corporation staff contribute to the Commonwealth Superannuation Scheme (CSS), Public Sector Superannuation Scheme (PSS), Australian Government Employees Superannuation Trust (AGEST) or an approved superannuation scheme of their choice.

The CSS and PSS are defined benefit schemes for the Australian Government.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course.

For CSS and PSS members, the Corporation makes contributions based on the rate determined by the Government Actuary, and for AGEST and other approved superannuation schemes, the Corporation contributes a minimum of 9% of superannuable salaries. Employer contributions amounting to $1,022,502 (2006: $689,262) in relation to these schemes has been expensed in the financial statements.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

The Corporation has no finance leases. Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.10 Cash

Cash means notes and coins held and any deposits held at call with a bank or financial institution. Cash is recognised at its nominal amount.

1.11 Financial Risk Management

The Corporation's activities expose it to normal commercial financial risk. As a result of the nature of the Corporation's business and internal and Australian Government policies, dealing with the management of financial risk, the Corporation's exposure to market, credit, liquidity and cash flow and fair value interest rate risk is considered to be low.

1.12 Investments

Investments are initially measured at their fair value, and after initial recognition, measured at their fair values, with the exception of:

a) investments in associates; and
b) investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

Investments in associates are accounted for under the equity method of accounting, and are initially recognised at cost. The Corporation's share of its associates' post-acquisition profits or losses is recognised in the Income Statement and its share of post-acquisition movements in reserves is recognised in reserves.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured shall be measured at cost.

The Corporation has acquired shares in the following start-up companies:

- Australian Grain Technologies Pty Ltd (holding: 45.83%);
- Australian Centre for Plant Functional Genomics Pty Ltd (holding: 20.99%); and
- Arista Cereal Technologies Pty Ltd (holding: 9.40%)

respectively.

The above companies conduct research and development activities relating to seed technology, new wheat varieties and high amylose wheat. The success and ability to generate future economic benefits are subject to uncertainty and the Corporation believes that this will impair the carrying values of the investments. The Corporation has established a *Provision for diminution in share value* to record a reduction in the value of these investments based on the Corporation's estimate of the trading performance of each company. A review of the trading performance will be done annually and the provision adjusted accordingly. The provision will remain effective until such time as the Corporation believes that the investment would generate sufficient future economic benefits from a successfully marketed product or service.

1.13 Derecognition of Financial Assets and Liabilities

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the asset is transferred to another entity. In the case of a transfer to another entity, it is necessary that the risks and rewards of ownership are also transferred.

Financial liabilities are derecognised when the obligation under the contract is discharged, cancelled or expires.

1.14 Impairment of Financial Assets

Financial assets are assessed for impairment at each balance date.

Available for Sale Financial Assets

If there is objective evidence that an impairment loss on an available for sale financial asset has incurred, the amount of the difference between its cost (less principal repayments and amortisation), and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Income Statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

1.14 Impairment of Financial Assets *(continued)*

Investments in Associates

If there is objective evidence that an impairment loss has been incurred on an investment in an associate, the amount of the impairment loss is the difference between the carrying amount of the investment and its recoverable amount (being the Corporation's share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment).

1.15 Supplier and other payables

Supplier payments and accruals are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. Liabilities are recognised to the extent that the goods and services have been received (and irrespective of having been invoiced).

1.16 Research and Development

The Corporation recognises Research and Development liabilities as follows.

- Most Research Agreements require the Researcher to perform services to meet payment criteria. Liabilities are recognised when there is a high probability that the Corporation will pay out remaining funds, such as on receipt of final report and any other criteria as set out in the Research Agreement.

1.17 Taxation

The Corporation is subject to taxation (other than income tax) under the laws of the Commonwealth under section 46(1) of the PIERD Act 1989.

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

1.18 Contingent Liabilities and Contingent Assets

Contingent Liabilities and Assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an existing liability or asset in respect of which settlement is not probable or the amount cannot be reliably measured. Contingent assets are reported when settlement is probable, and contingent liabilities are recognised when settlement is greater than remote.

NOTE 2: ECONOMIC DEPENDENCY

The Grains Research and Development Corporation was established in 1990 as a statutory corporation under the *Primary Industries and Energy Research and Development Act 1989* (PIERD Act).

The Corporation is dependent on levies collected from grain producers under the PIERD Act and Commonwealth contributions made by the Commonwealth for its continued existence and ability to carry out its normal activities.

NOTE 3: EVENTS OCCURRING AFTER REPORTING DATE

The Corporation had no events occurring after reporting date that would significantly affect its ongoing structure and financial activities.

NOTE 4: INCOME

Revenues

	2007 $'000	2006 $'000
Note 4A: Revenues from Government		
Commonwealth contributions	35,768	43,065
Note 4B: Interest		
Deposits	5,567	5,682
Negotiable certificates of deposit	—	759
Floating rate notes	390	963
Sub-total interest income	5,957	7,404
Management fee	(271)	(263)
Revaluation of investments	(671)	(1,468)
	5,015	5,673
Note 4C: Industry contributions		
Coarse grains	15,124	14,842
Grain legumes	4,600	5,568
Oilseeds	3,513	5,335
Wheat	27,631	35,116
	50,868	60,861
Note 4D: Project refunds		
Cross commodity	2,822	1,023
Coarse grains	48	202
Grain legumes	240	68
Oilseeds	—	47
Wheat	162	193
	3,272	1,533
Note 4E: Royalties		
Cross commodity	1,014	52
Coarse grains	38	225
Grain legumes	230	158
Oilseeds	78	167
Wheat	821	2,914
	2,181	3,516
Note 4F: Other		
Levy penalties	63	76
Groundcover advertising income	165	205
Publications revenue	69	206
Other income	3	1
	300	488

NOTE 5: OPERATING EXPENSES

Note 5A: Research and development

2007	Cross-Commodity $'000	Coarse Grains $'000	Grain Legumes $'000	Oilseeds $'000	Wheat $'000	Total $'000
National	45,992	3,065	164	815	9,794	59,830
Northern Region	7,705	1,227	992	665	1,402	11,991
Southern Region	12,517	924	1,205	1,969	1,703	18,318
Western Region	6,987	270	2,249	201	3,178	12,885
TOTAL	73,201	5,486	4,610	3,650	16,077	103,024
2006	81,048	6,960	5,252	5,078	16,991	115,329

The aforementioned classification of national and regional payments is usually based on investment recommendations by the three Regional Panels and the National Panel. The project outcomes may, however, have impacts across one or more regions.

	2007 $'000	2006 $'000
Note 5B: Employee benefits		
Salaries	4,404	4,470
Superannuation	1,022	689
Leave and other entitlements	129	6
Separation and redundancies	79	—
Total employee benefits	5,634	5,165
Note 5C: Suppliers		
Supply of goods and services from external entities	5,051	5,613
Operating lease rentals*	12	20
	5,063	5,633

** These comprise minimum lease payments only.*

	2007 $'000	2006 $'000
Note 5D: Depreciation and amortisation		
Depreciation:		
Infrastructure, plant and equipment	181	162
Buildings	160	160
Total depreciation	341	322
Amortisation:		
Intangibles:		
Information Management System	211	85
Software	19	17
Total amortisation	230	102
Total depreciation and amortisation	571	424
Note 5E: Write-down and impairment of assets		
Investments (shares) – revaluation decrement	1,356	169

NOTE 6: FINANCIAL ASSETS

	2007 $'000	2006 $'000
Note 6A: Cash and cash equivalents		
Interest bearing cheque account	2,633	11,034
Money market call account	1,967	1,037
	4,600	12,071
Note 6B: Trade and other receivables		
Debtors – general	47	36
Debtors – research and development	451	92
Industry levies receivable	137	84
Accrued interest	17	38
Accrued income	6	1,596
GST receivable	3,309	3,128
Other	—	3
	3,967	4,977
Receivables (gross) are aged as follows:		
Not overdue	3,544	4,883
Overdue by:		
Less than 30 days	410	88
30 to 60 days	9	4
60 to 90 days	—	—
more than 90 days	4	2
	423	94
	3,967	4,977

All receivables are current.

Receivables for Goods & Services

Credit terms are net 7 days (2006: 7 days).

Accrued Interest

The interest rates range from 3.29% to 6.15% (2006: 3.00% to 5.65%) and the frequency of payments range from monthly to quarterly.

	2007 $'000	2006 $'000
Note 6C: Investments		
Floating Rate Notes At market value	—	10,034
BT Individually Managed Fund At market value	44,695	45,238
BT Money Market Trust Units @ $1 At market value	6	5
UBS Brinson Individually Managed Fund At market value	41,445	45,595
Total investments	86,146	100,872

Floating Rate Notes

These securities have a term of up to 5 years. Interest is paid monthly, quarterly and half-yearly. Interest rates are fixed every period at BBSW plus a margin. The margin varies between 0.27% and 0.40%.

NOTE 6: FINANCIAL ASSETS *(continued)*

Note 6C: Investments *(continued)*

Individually Managed Funds

The funds are available at call. Interest rates will vary to reflect varying market interest rates.

Ministerial Approval

The Corporation has received approval under paragraph 18(3)(d) of the CAC Act to hold the investments listed above.

	2007 $'000	2006 $'000
Note 6D: Investments accounted for using the equity method		
Investments in associates	83	—
Total investments accounted for using the equity method	83	—
All such investments are non-current.		
Equity accounted share of results		
Net profit/(loss) before income tax	(217)	—
Income tax expense attributable to net profit/(loss)	—	—
Net profit/(loss) after income tax	(217)	—
Carrying amount of equity accounted investments		
Balance at the beginning of year	—	—
Additions	300	—
Share of net profit/(loss) for the year	(217)	—
Carrying amount at end of year	83	—
Share of assets and liabilities		
Current assets	166	—
Non-current assets	1	—
Total assets	167	—
Current liabilities	84	—
Non-current liabilities	—	—
Total liabilities	84	—
Net assets	83	—

Name of Entity	Principal Activities	Reporting Date	Ownership Interest 2007 %	Ownership Interest 2006 %
Philom Bios (Australia) Pty Ltd*	Soil inoculant research and development	30 September	50.0	50.0

** Incorporated in Australia*

NOTE 6: FINANCIAL ASSETS *(continued)*

	2007 $'000	2006 $'000
Note 6E: Investments – other		
Shares in Unlisted Companies		
Australian Grain Technologies Pty Ltd	9,285	8,152
Provision for diminution in share value	(5,152)	(3,924)
	4,133	4,228
Australian Centre for Plant Functional Genomics Pty Ltd	1	1
Arista Cereal Technologies Pty Ltd	845	—
Provision for diminution in share value	(130)	—
	715	—
Total investments—other	4,849	4,229

The shares held are ordinary shares.

NOTE 7: NON-FINANCIAL ASSETS

	2007 $'000	2006 $'000
Note 7A: Land and buildings		
Leasehold land – fair value	950	750
Total land	950	750
Buildings on leasehold land—fair value	4,800	4,000
Accumulated depreciation	—	(160)
Total buildings	4,800	3,840
Total land and buildings	5,750	4,590
Note 7B: Infrastructure, plant and equipment		
Plant and equipment—fair value	669	579
Accumulated depreciation	(343)	(162)
Total infrastructure, plant and equipment	326	417
Movement in asset revaluation reserve		
Increment for land	200	—
Increment for buildings	1,120	—
Increment for plant and equipment	—	—
	1,320	—

All revaluations are conducted in accordance with the relevant policy stated at Note 1. An independent valuer, the Australian Valuation Office, conducted a formal revaluation of land and buildings as at 30 June 2007.

A formal revaluation of plant and equipment was conducted by the Australian Valuation Office at 30 June 2005. Acquisitions since 30 June 2005 are deemed to be at fair value at 30 June 2007.

No indicators of impairment were found for infrastructure, plant and equipment.

NOTE 7: NON-FINANCIAL ASSETS *(continued)*

Note 7C: Intangibles

	2007 $'000	2006 $'000
Information Management System—at cost	1,293	1,271
Accumulated depreciation	(1,014)	(802)
Total Information Management System	279	469
Software—at cost	124	116
Accumulated depreciation	(98)	(80)
Total software	26	36
Total intangibles	305	505

Note 7D: Analysis of Property, Plant, Equipment and Intangibles

Table A—Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

	Leasehold Land $'000	Buildings on leasehold land $'000	Other Infrastructure, Plant & Equipment $'000	Computer software—Total Intangibles $'000	**Total $'000**
As at 1 July 2006					
Gross book value	**750**	**4,000**	**579**	**1,387**	**6,716**
Accumulated depreciation/ amortisation	**—**	**(160)**	**(162)**	**(882)**	**(1,204)**
Net book value 1 July 2006	**750**	**3,840**	**417**	**505**	**5,512**
Additions:					
by purchase	—	—	90	30	**120**
Net revaluation increment/ (decrement)	200	1,120	—	—	**1,320**
Depreciation/amortisation expense	—	(160)	(181)	(230)	**(571)**
Net book value 30 June 2007	**950**	**4,800**	**326**	**305**	**6,381**
Net book value as at 30 June 2007 represented by:					
Gross book value	**950**	**4,800**	**669**	**1,417**	**7,836**
Accumulated depreciation/ amortisation	**—**	**—**	**(343)**	**(1,112)**	**(1,455)**

Note 7E: Other non-financial assets

	2007 $'000	2006 $'000
Prepayments	—	72

All other non-financial assets are current

NOTE 8: PROVISIONS

	2007 $'000	2006 $'000
Note 8A: Employee Provisions		
Leave	804	660
Aggregate employee entitlement liability	804	660
Employee provisions are represented by:		
Current	541	426
Non-current	263	234
	804	660

NOTE 9: PAYABLES

	2007 $'000	2006 $'000
Note 9A: Suppliers		
Trade creditors	153	181
Accrued expenses	1,002	891
	1,155	1,072

All supplier payables are current

	2007 $'000	2006 $'000
Note 9B: Research and development		
Research and development	38,432	41,859
Research and development payables represented by:		
Current	36,035	40,298
Non-current	2,397	1,561
	38,432	41,859
Note 9C: Contributions not yet utilised		
Contributions paid in advance by third parties towards specific projects	361	1,727

All contributions not yet utilised are current.

NOTE 10: CASH FLOW RECONCILIATION

(a) Reconciliation of cash and cash equivalents per Balance Sheet to Statement of Cash Flow Statement

		2007 $'000	2006 $'000
Cash at year end per Statement of Cash Flows		4,600	12,071
Balance Sheet items comprising above cash: 'Financial Asset—Cash and cash equivalents'	6A	4,600	12,071

NOTE 10: CASH FLOW RECONCILIATION *(continued)*

(b) Reconciliation of Operating Result to net Cash from Operating Activities:

	2007 $'000	2006 $'000
Operating result	(18,461)	(11,584)
Depreciation and amortisation	571	424
Write down of assets	1,356	169
Revaluation of investments	671	1,468
Share of net profit/loss of associates	217	—
Interest accrued on investments	31	65
Changes in assets and liabilities		
(Increase)/decrease in receivables	989	(1,586)
(Increase)/decrease in accrued interest	21	(19)
(Increase)/decrease in prepayments	72	(45)
Increase/(decrease) in employee entitlements	144	16
Increase/(decrease) in payables	(4,710)	3,630
Net cash from/(used by) operating activities	(19,099)	(7,462)

NOTE 11: DIRECTOR REMUNERATION

	2007	2006
The number of directors of the Corporation included in these figures are shown below in the relevant remuneration bands		
$ Nil—$14,999	—	5
$15,000—$29,999	3	5
$30,000—$44,999	3	1
$45,000—$59,999	1	1
$465,000—$479,999	—	1
$480,000—$494,999	1	—
The number of directors of the Corporation	8	13
Total remuneration received or due and receivable by directors of the Corporation	737,181	711,415

The directors of the Corporation, with the exception of the Managing Director, are appointed by the Minister—Agriculture, Fisheries and Forestry, Australia.

NOTE 12: RELATED PARTY DISCLOSURES

The following persons were Directors of the Grains Research and Development Corporation during the year:

Mr T.J. Enright (Chairman)
Mr R. Johns (Deputy Chairman)
Mr R. Phillips (Government Director—removed-Royal Assent 28/5/07)
Ms N. Birrell
Mr S. Marshall
Dr D. Plowman
Prof. T. Reeves
Mr P. Young
Mr P. Reading (Executive Director)

Several directors of the Corporation hold directorships with other companies. All transactions between the Corporation and companies with a Director common to the Corporation are conducted using commercial and arms-length principles.

The aggregate remuneration of Directors is disclosed in Note 11.

NOTE 13: EXECUTIVE REMUNERATION

The number of senior executives who received or were due to receive total remuneration of $130,000 or more:

	2007	2006
Between $130,000—$144,999	3	3
Between $145,000—$159,999	3	1
Between $160,000—$174,999	—	2
Between $175,000—$189,999	—	4
Between $190,000—$204,999	4	1
Between $205,000—$219,999	1	—
Between $250,000—$264,999	1	—
	12	11
The aggregate amount of total remuneration of officers shown above	2,115,601	1,832,538
The aggregate amount of separation and redundancy/termination benefit payments during the year in the remuneration shown above	78,800	—

The officer remuneration includes all officers concerned with or taking part in the management of the Corporation during 2006–07 except the Managing Director. Details in relation to the Managing Director have been incorporated in Note 11—Director Remuneration.

NOTE 14: REMUNERATION OF AUDITORS

The cost of financial statement audit services provided to the Corporation was:

	2007 $	2006 $
Australian National Audit Office	18,900	17,500

RSM Bird Cameron has been contracted by the Australian National Audit Office (ANAO) to provide audit services on the ANAO's behalf. Fees for these services are included above. No other services were provided by the Auditor-General or RSM Bird Cameron during the reporting period.

NOTE 15: AVERAGE STAFFING LEVELS

	2007	2006
The average staffing levels for the Corporation during the year were:	52	50

Note 16A: Interest Rate Risk

Financial Instrument	Notes	Floating Interest Rate		Fixed Interest Rate Maturing In						Non Interest bearing		Total		Weighted Average Effective Interest Rate	
				1 Year or less		1 to 5 years		> 5 years							
		2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 %	2006 %
Financial Assets															
Cash	6A	4,600	12,071									4,600	12,071	4.51	3.5
Receivables	6B									3,967	4,977	3,967	4,977	n/a	n/a
Floating rate notes	6C					—	10,034					—	10,034	—	6.11
Managed funds	6C			86,146	90,838							86,146	90,838	–1.88	2.73
Investments accounted for using equity method	6D									83	—	83	—	n/a	n/a
Investments—other	6E									4,849	4,229	4,849	4,229	n/a	n/a
Total Financial Assets		4,600	12,071	86,146	98,838	—	10,034			8,899	9,206	99,645	122,149		
Financial Liabilities															
Trade creditors	9A									1,155	1,072	1,155	1,072	n/a	n/a
Project liabilities	9B									38,432	41,859	38,432	41,859	n/a	n/a
Contributions not yet utilised	9C									361	1,727	361	1,727	n/a	n/a
Total Financial Liabilities										39,948	44,658	39,948	44,658		

NOTE 16: FINANCIAL INSTRUMENTS *(continued)*

Note 16B: Fair Values of Financial Assets and Liabilities

	Note	2007 Total carrying amount $'000	2007 Aggregate fair value $'000	2006 Total carrying amount $'000	2006 Aggregate fair value $'000
Financial Assets					
Deposits at call	6A	4,600	4,600	12,071	12,071
Receivables	6B	3,967	3,967	4,977	4,977
Floating rate notes	6C	—	—	10,034	10,034
Managed funds	6C	86,146	86,146	90,838	90,838
Investments under equity method	6D	83	83	—	—
Investments—other	6E	4,849	4,849	4,229	4,229
Total Financial Assets		99,645	99,645	122,149	122,149
Financial Liabilities					
Trade creditors	9A	1,155	1,155	1,072	1,072
Project liabilities	9B	38,432	38,432	41,859	41,859
Contributions not yet utilised	9C	361	361	1,727	1,727
Total Financial Liabilities		39,948	39,948	44,658	44,658

Financial Assets

The fair values of deposits at call and receivables approximate their carrying amounts.

The fair value of floating rate notes is based on discounted cash flows using current interest rates for assets with similar risk profiles.

The fair value of the Individually Managed Funds is the quoted market value at reporting date, adjusted for the transaction costs necessary for realisation.

The fair value of investments in associates is the initial cost of the investment in the associate adjusted for the Corporation's share of the post-acquisition change in the net assets of the associate.

The fair value of shares in unlisted companies is the Corporation's proportion of the estimated net asset position of the company.

Financial Liabilities

The fair values of trade creditors, project liabilities and contributions not yet utilised approximate their carrying amounts.

Note 16C: Credit Risk Exposures

The Corporation's maximum exposure to credit risk at reporting date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Balance Sheet.

The Corporation has no significant exposures to any concentrations of credit risk.

NOTE 17: REPORTING OF OUTCOMES

Note 17A: Outcomes of the Corporation

Corporation activity involves the identification, co-ordination, funding and evaluation of research and development for Australia's grain industries. These financial statements provide a detailed overview of the Corporation's total financial operations for the year ended 30 June 2007. The Corporation operates predominantly in one industry, the grains industry and in one geographical area being Australia.

Outcome 1 – Through its commitment to innovation, an Australian grains industry that is profitable and environmentally sustainable for the benefit of the industry and wider community.

Four outputs are identified for the above outcome. These are:

Output 1 – Varieties
Output 2 – Practices
Output 3 – New Products
Output 4 – Communications

Note 17B: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Expenses				
Departmental expenses	**115,865**	126,720	**115,865**	126,720
Total expenses	**115,865**	126,720	**115,865**	126,720
Other external revenues				
Departmental				
Interest	**5,015**	5,673	**5,015**	5,673
Industry contributions	**50,868**	60,861	**50,868**	60,861
Project refunds	**3,272**	1,533	**3,272**	1,533
Royalties	**2,181**	3,516	**2,181**	3,516
Other	**300**	488	**300**	488
Total other external revenues	**61,636**	72,071	**61,636**	72,071
Total other external revenues	**61,636**	72,071	**61,636**	72,071
Net cost/(contribution) of outcome	**54,229**	54,649	**54,229**	54,649

Note 17C: Major classes of departmental Revenue and Expenses by Output Groups

Outcome 1	Output 1		Output 2		Output 3		Output 4		Total	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000	**2007 $'000**	2006 $'000
Operating expenses										
Research and development	**52,477**	58,887	**35,771**	37,211	**8,686**	11,662	**6,090**	7,570	**103,024**	115,330
Employees	**1,409**	1,292	**1,408**	1,291	**1,408**	1,291	**1,409**	1,291	**5,634**	5,165
Suppliers	**1,318**	1,226	**1,434**	1,344	**1,128**	1,013	**1,183**	2,049	**5,063**	5,633
Depreciation and amortisation	**142**	106	**143**	106	**143**	106	**143**	106	**571**	424
Write-down of assets	**1226**	169	**—**	—	**130**	—	**—**	—	**1,356**	169
Share of operating results (equity method)	**—**	—	**—**	—	**217**	—	**—**	—	**217**	—
Total operating expenses	**56,572**	61,680	**38,756**	39,952	**11,712**	14,072	**8,825**	11,016	**115,865**	126,720
Funded by										
Revenues from Government	**18,219**	21,988	**12,419**	13,895	**3,016**	4,355	**2,114**	2,827	**35,768**	43,065
Interest	**2,555**	2,897	**1,741**	1,830	**423**	574	**296**	372	**5,015**	5,673
Industry contributions	**25,910**	31,075	**17,662**	19,637	**4,289**	6,154	**3,007**	3,995	**50,868**	60,861
Project Refunds	**1,843**	634	**601**	491	**541**	327	**287**	81	**3,272**	1,533
Royalties	**545**	879	**545**	879	**545**	879	**546**	879	**2,181**	3,516
Other	**75**	122	**75**	122	**75**	122	**75**	122	**300**	488
Total operating revenues	**49,147**	57,595	**33,043**	36,854	**8,889**	12,411	**6,325**	8,276	**97,404**	115,136

The Corporation's outcomes and outputs are described at Note 17A.

The Corporation uses actual expenses for the allocation of Research and Development expenses and some supplier expenses. All other expenses are apportioned across outputs evenly. Revenues uses actual income for allocation of project refunds, reversals of previous asset write-down and some other income. All other revenue is apportioned across outputs based on Research and Development expenditure.