

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Objectives of the Grains Research and Development Corporation

The financial statements and notes 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 and notes have been prepared in accordance with:

- Finance Minister's Orders for reporting periods ending on or after 1 July 2007; 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.

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

In the process of applying the accounting policies in this note, the Corporation has made the following estimates that have the most significant impact on the amounts recorded in the financial statements:

- The valuation of unlisted shares held by the Corporation (as detailed in note 1.11) at each balance date is equivalent to the Corporation's share of net assets of each company.

1.3 Statement of Compliance

Adoption of new Australian Accounting Standard requirements

No accounting standard has been adopted earlier than the application date as stated in the standard.

The following new standard is applicable to the current reporting period:

Financial instrument disclosure

AASB 7 *Financial Instruments: Disclosures* 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 that previously required. 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, AASB 1038]. These changes have no financial impact but will effect the disclosure presented in future financial reports.

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

1.3 Statement of Compliance *(continued)*

The following new standards, amendments to standards or interpretations for the current financial year have no material impact on the Corporation:

- 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments and Erratum: Proportionate Consolidation*
- 2007-7 *Amendments to Australian Accounting Standards*
- UIG Interpretation 11 *AASB 2—Group and Treasury Share Transactions* and 2007-1 *Amendments to Australian Accounting Standards Arising from AASB Interpretation 11*

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 impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods.

- AASB Interpretation 12 *Service Concession Arrangements* and 2007-2 *Amendments to Australian Accounting Standards Arising from AASB Interpretation 12*
- AASB 8 *Operating Segments* and 2007-3 *Amendments to Australian Accounting Standards Arising from AASB 8*
- 2007-6 *Amendments to Australian Accounting Standards Arising from AASB 123*
- AASB Interpretation 13 *Customer Loyalty Programmes*
- AASB Interpretation 14 *AASB 119—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*
- 2008-1 *Amendments to Australian Accounting Standards Share-based Payments: Vesting Conditions and Cancellations AASB 2*
- 2008-2 *Amendments to Australian Accounting Standards—Puttable Financial Instruments and Obligations arising on Liquidation*
- 2008-3 *Amendments to Australian Accounting Standards Arising from AASB 3 and AASB 127*

Other

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

- AASB 1049 *Whole of Government and General Government Sector Financial Reporting*

AASB 1049 specifies the reporting requirements for the General Government Sector. The Finance Minister's Orders do not apply to this reporting or the consolidated financial statements of the Australian Government.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.4 Revenue (continued)

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.

Grants income

Revenue paid to the Corporation for the purpose of funding specific research and development projects. Grants and other non-reciprocal contributions are recognised as revenue when the Corporation obtains control over the assets comprising the contributions. Control is normally obtained upon receipt.

During the reporting period, a change in accounting policy regarding the receipt of non-reciprocal contributions was made. Previously, the contributions were recognised as an offset against research and development expenditure, with any unutilised contributions at the end of the reporting period recognised as a liability.

The effect of the change in accounting policy is an increase in closing Accumulated Results of \$188,592 for 2008 (2007: \$361,265).

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

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

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 from 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 operating result. Revaluation decrements for a class of assets are recognised directly through operating result 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:

	2008	2007
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 2008. 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 internally developed software for the new information management system and other software. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

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

	2008	2007
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 2008.

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

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. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

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

Staff of the Corporation are members of the Commonwealth Superannuation Scheme (CSS), Public Sector Superannuation Scheme (PSS), PSS accumulation plan (PSSap), 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. The liability is reported by the Department of Finance and Deregulation as an administered item.

For CSS and PSS members, the Corporation makes contributions based on the rate determined by the Government Actuary to be sufficient to meet the current costs to the Government of the superannuation entitlements of the Corporation's employees. For AGEST and other approved superannuation schemes, the Corporation contributes a minimum of 9% of superannuable salaries. Employer contributions amounting to \$942,551 (2007: \$1,022,502) 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 the 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.

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

1.10 Cash

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.11 Financial Assets

The Corporation classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- held-to-maturity investments
- available-for-sale financial assets
- loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets are recognised and derecognised upon 'trade date'.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- has been acquired principally for the purpose of selling in the near future;
- is part of an identified portfolio of financial instruments that the Corporation manages together and has a recent actual pattern of short-term profit-taking; or
- has been designated as such upon initial recognition.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the asset within 12 months of the balance sheet date.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the reserves with the exception of impairment losses. Interest is calculated using the effective interest method. Where the asset is disposed of or is determined to be impaired, part or all of the cumulative gain or loss previously recognised in the reserve is included in the Income Statement for the period.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1.11 Financial Assets (continued)

Where a reliable fair value cannot be established for unlisted investments in equity instruments, cost is used. The Corporation has acquired shares in the following unlisted companies:

- Australian Grain Technologies Pty Ltd (holding: 46%);
- Australian Centre for Plant Functional Genomics Pty Ltd (holding: 20%);
- Arista Cereal Technologies Pty Ltd (holding: 14%);
- InterGrain Pty Ltd (holding: 23%); and
- Canola Breeders Western Australia Pty Ltd (holding: 32%).

The above companies conduct research and development activities relating to seed technology, new wheat varieties, high amylose wheat and the development of canola varieties. 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.

Held-to-maturity assets

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Corporation has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the balance date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets are assessed for impairment at each balance date.

- *Financial assets held at amortised cost*—if there is objective evidence that an impairment loss has been incurred for loans and receivables or held-to-maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Income Statement.
- *Available-for-sale financial assets*—if there is objective evidence that an impairment loss on an available-for-sale financial asset has been 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.
- *Available-for-sale financial assets (held at cost)*—if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and its estimated value.

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

1.12 Financial Liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are recognised and derecognised upon 'trade date'.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables

Supplier and other payables 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 or services have been received (and irrespective of having been invoiced).

1.13 Investments in Associates

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.

Impairment

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).

1.14 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.

1.15 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent 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 but not virtually certain 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 AFTER THE BALANCE SHEET DATE

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

NOTE 4: INCOME

Revenues

	2008 \$'000	2007 \$'000
Note 4A: Revenues from Government		
Commonwealth contributions	37,621	35,768
Note 4B: Interest		
Deposits	5,525	5,567
Negotiable certificates of deposit	32	—
Floating rate notes	—	390
Sub-total interest income	5,557	5,957
Management fee	(185)	(271)
Revaluation of investments	205	(671)
	5,577	5,015
Note 4C: Industry contributions		
Coarse grains	25,511	15,124
Grain legumes	4,614	4,600
Oilseeds	6,214	3,513
Wheat	40,308	27,631
	76,647	50,868
Note 4D: Project refunds		
Cross commodity	3,674	2,822
Coarse grains	154	48
Grain legumes	36	240
Oilseeds	64	—
Wheat	768	162
	4,696	3,272

NOTE 4: INCOME (continued)

	2008	2007
	\$'000	\$'000
Note 4E: Royalties		
Cross commodity	658	1,014
Coarse grains	27	38
Grain legumes	307	230
Oilseeds	385	78
Wheat	482	821
	1,859	2,181
Note 4F: Grants income		
Commonwealth	325	799
State and Territory Governments	25	50
Industry	56	349
	406	1,198
Note 4G: Other		
Levy penalties	130	63
Ground Cover advertising income	178	165
Publications revenue	43	69
Other income	12	3
	363	300

NOTE 5: OPERATING EXPENSES**Note 5A: Research and development**

	Cross- Commodity \$'000	Coarse Grains \$'000	Grain Legumes \$'000	Oilseeds \$'000	Wheat \$'000	Total \$'000
2008						
National	34,058	4,262	3,899	640	6,983	49,842
Northern Region	4,231	1,122	666	381	2,040	8,440
Southern Region	10,563	3,824	1,240	1,722	1,987	19,336
Western Region	7,435	631	1,607	851	946	11,470
TOTAL	56,287	9,839	7,412	3,594	11,956	89,088
2007	73,461	5,486	5,646	3,650	17,345	105,588

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.

NOTE 5: OPERATING EXPENSES (continued)

	2008	2007
	\$'000	\$'000
Note 5B: Employee benefits		
Salaries and wages	4,678	4,404
Superannuation		
Defined contribution plans	814	903
Defined benefits plans	129	119
Leave and other entitlements	161	129
Separation and redundancies	—	79
Total employee benefits	<u>5,782</u>	<u>5,634</u>
Note 5C: Suppliers		
Supply of goods from external entities	214	202
Supply of services from external entities	4,896	4,849
Operating lease rentals*	10	12
	<u>5,120</u>	<u>5,063</u>
<i>* These comprise minimum lease payments only.</i>		
Note 5D: Depreciation and amortisation		
Depreciation:		
Infrastructure, plant and equipment	199	181
Buildings	192	160
Total depreciation	<u>391</u>	<u>341</u>
Amortisation:		
Intangibles:		
Information Management System	199	211
Software	20	19
Total amortisation	<u>219</u>	<u>230</u>
Total depreciation and amortisation	<u>610</u>	<u>571</u>
Note 5E: Write-down and impairment of assets		
Investments (shares)—revaluation decrement	1,896	1,356
Note 5F: Loss on disposal of fixed assets		
Plant and equipment		
Proceeds from sale	—	—
Carrying value of assets sold	6	—
Selling expense	—	—
Total loss on disposal of fixed assets	<u>6</u>	<u>—</u>

NOTE 6: FINANCIAL ASSETS

	2008	2007
	\$'000	\$'000
Note 6A: Cash and cash equivalents		
Interest bearing cheque account	127	2,633
Money market call account	11,999	1,967
	12,126	4,600
Note 6B: Trade and other receivables		
Debtors—general	1,004	47
Debtors—research and development	102	451
Industry levies receivable	8,849	137
Accrued interest	108	17
Accrued income	—	6
GST receivable	2,593	3,309
Other	—	—
	12,656	3,967
Receivables (gross) are aged as follows:		
Not overdue	12,591	3,544
Overdue by:		
Less than 30 days	58	410
30 to 60 days	—	9
61 to 90 days	—	—
more than 90 days	7	4
	65	423
	12,656	3,967

All receivables are current.

Receivables for goods & services

Credit terms are net 7 days (2007: 7 days).

Accrued interest

The interest rates range from 3.29% to 7.15% (2007: 3.29% to 6.15%) and the frequency of payments range from monthly to biannually.

	2008	2007
	\$'000	\$'000
Note 6C: Investments		
BT Individually Managed Fund	40,642	44,695
At market value		
BT Money Market Trust units @ \$1	—	6
At market value		
UBS Individually Managed Fund	40,691	41,445
At market value		
Total investments	81,333	86,146

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.

NOTE 6: FINANCIAL ASSETS (continued)

	2008 \$'000	2007 \$'000
Note 6D: Investments accounted for using the equity method		
Investments in associates		
Philom Bios (Australia) Pty Ltd	101	83
HRZ Wheats Pty Ltd	33	—
Total investments accounted for using the equity method	134	83
All such investments are non-current.		
Equity accounted share of results		
Net profit/(loss) before income tax	(613)	(217)
Income tax expense attributable to net profit/(loss)	—	—
Net profit/(loss) after income tax	(613)	(217)
Carrying amount of equity accounted investments		
Balance at the beginning of year	83	—
Additions	664	300
Share of net profit/(loss) for the year	(613)	(217)
Carrying amount at end of year	134	83
Share of assets and liabilities		
Current assets	209	166
Non-current assets	2	1
Total assets	211	167
Current liabilities	77	84
Non-current liabilities	—	—
Total liabilities	77	84
Net assets	134	83

Name of entity	Principal activities	Reporting date	Ownership interest	
			2008 %	2007 %
Philom Bios (Australia) Pty Ltd*	Soil inoculant research and development	30 September	50.0	50.0
HRZ Wheats Pty Ltd*	Wheat breeding and commercialisation	30 June	62.0†	—

* Incorporated in Australia

† Limited to 49.5% voting rights

NOTE 6: FINANCIAL ASSETS (continued)

	2008	2007
	\$'000	\$'000
Note 6E: Investments—other		
<i>Shares in unlisted companies</i>		
Australian Grain Technologies Pty Ltd	9,285	9,285
Provision for diminution in share value	(5,152)	(5,152)
	4,133	4,133
Australian Centre for Plant Functional Genomics Pty Ltd	1	1
Arista Cereal Technologies Pty Ltd	1,576	845
Provision for diminution in share value	(532)	(130)
	1,044	715
InterGrain Pty Ltd	1,500	—
Provision for diminution in share value	(1,493)	—
	7	—
Total investments—other	5,185	4,849

The shares held are ordinary shares.

Note 6F: Investments in controlled entities

Name of entity	Country of incorporation	Amount of investment		% equity held	
		2008	2007	2008	2007
		\$'000	\$'000	%	%
Single Vision Grains Australia Pty Ltd	Australia	—	—	100.0	—

NOTE 7: NON-FINANCIAL ASSETS

	2008	2007
	\$'000	\$'000
Note 7A: Land and buildings		
Leasehold land—fair value	950	950
Total land	950	950
Buildings on leasehold land—fair value	4,800	4,800
Accumulated depreciation	(192)	—
Total buildings	4,608	4,800
Total land and buildings (non-current)	5,558	5,750

NOTE 7: NON-FINANCIAL ASSETS (continued)

	2008	2007
	\$'000	\$'000
Note 7B: Infrastructure, plant and equipment		
Plant and equipment—fair value	241	669
Accumulated depreciation	—	(343)
Total infrastructure, plant and equipment	<u>241</u>	<u>326</u>
Movement in asset revaluation reserve		
Increment for land	—	200
Increment for buildings	—	1,120
Increment for plant and equipment	5	—
	<u>5</u>	<u>1,320</u>

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 plant and equipment as at 30 June 2008.

A formal revaluation of land and buildings was conducted by the Australian Valuation Office as at 30 June 2007. It has been assessed that the carrying amount of land and buildings does not materially differ from fair value at 30 June 2008.

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

	2008	2007
	\$'000	\$'000
Note 7C: Intangibles		
Information Management System—at cost	691	1,293
Accumulated amortisation	(570)	(1,014)
Total Information Management System	<u>121</u>	<u>279</u>
Software—at cost	233	124
Accumulated amortisation	(97)	(98)
Total software	<u>136</u>	<u>26</u>
Total intangibles (non-current)	<u>257</u>	<u>305</u>

No indicators of impairment were found for intangible assets.

NOTE 7: NON-FINANCIAL ASSETS (continued)**Note 7D: Analysis of property, plant, equipment and intangibles**

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

	Leasehold Land \$'000	Buildings on leasehold land \$'000	Other Infrastructure, Plant & Equipment \$'000	Total \$'000
As at 1 July 2007				
Gross book value	950	4,800	669	6,419
Accumulated depreciation/amortisation and impairment	—	—	(343)	(343)
Net book value 1 July 2007	950	4,800	326	6,076
Additions:				
by purchase	—	—	115	115
Net revaluation increment/decrement	—	—	5	5
Depreciation/amortisation expense	—	(192)	(199)	(391)
Disposals:				
other disposals	—	—	(6)	(6)
Net book value 30 June 2008	950	4,608	241	5,799
Net book value as at 30 June 2008 represented by:				
Gross book value	950	4,800	241	5,991
Accumulated depreciation/amortisation and impairment	—	(192)	—	(192)

Table B—Reconciliation of the opening and closing balances of intangibles

	Information Management System \$'000	Software \$'000	Total \$'000
As at 1 July 2007			
Gross book value	1,293	124	1,417
Accumulated depreciation/amortisation and impairment	(1,014)	(98)	(1,112)
Net book value 1 July 2007	279	26	305
Additions:			
by purchase	41	130	171
Depreciation/amortisation expense	(199)	(20)	(219)
Net book value 30 June 2008	121	136	257
Net book value as at 30 June 2008 represented by:			
Gross book value	691	233	924
Accumulated depreciation/amortisation and impairment	(570)	(97)	(667)

NOTE 7: NON-FINANCIAL ASSETS (continued)

	2008 \$'000	2007 \$'000
Note 7E: Other non-financial assets		
Prepayments	1	—

All other non-financial assets are current.

NOTE 8: PROVISIONS

	2008 \$'000	2007 \$'000
Note 8A: Employee provisions		
Leave	954	804
Aggregate employee entitlement liability	954	804
Employee provisions are represented by:		
Current	678	541
Non-current	276	263
	954	804

The classification of current includes amounts for which there is not an unconditional right to defer settlement by one year; hence in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in 12 months from the reporting date are \$591,000 (2007: \$487,000), and in excess of 1 year are \$363,000 (2007: \$317,000).

NOTE 9: PAYABLES

	2008 \$'000	2007 \$'000
Note 9A: Suppliers		
Trade creditors	174	153
Accrued expenses	624	1,002
	798	1,155

All supplier payables are current

Settlement is usually made net 30 days

Note 9B: Research and development

Research and development	26,045	38,432
Research and development payables represented by:		
Current	25,426	36,035
Non-current	619	2,397
	26,045	38,432

NOTE 10: CASH FLOW RECONCILIATION*(a) Reconciliation of cash and cash equivalents per Balance Sheet to Statement of Cash Flow:*

		2008	2007
		\$'000	\$'000
Cash at year end per Statement of Cash Flows		12,126	4,600
Balance Sheet items comprising above cash: 'Financial asset—cash and cash equivalents'	6A	12,126	4,600

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

		2008	2007
		\$'000	\$'000
Operating result		24,054	(19,827)
Depreciation and amortisation		610	571
Net write down of assets		1,896	1,356
Loss on disposal of assets		6	—
Share of net profit/loss of associates		613	217
Revaluation of investments		(205)	671
Interest accrued on investments		108	31
Changes in assets and liabilities			
(Increase)/decrease in receivables		(8,706)	989
(Increase)/decrease in accrued interest		(91)	21
(Increase)/decrease in prepayments		(1)	72
Increase/(decrease) in employee entitlements		150	144
Increase/(decrease) in payables		(12,744)	(3,344)
Net cash from/(used by) operating activities		<u>5,690</u>	<u>(19,099)</u>

NOTE 11: DIRECTOR REMUNERATION

	2008	2007
The number of directors of the Corporation included in these figures are shown below in the relevant remuneration bands		
\$ Nil—\$14,999	1	—
\$15,000—\$29,999	3	3
\$30,000—\$44,999	4	3
\$45,000—\$59,999	—	1
\$480,000—\$494,999	—	1
\$585,000—\$599,999	1	—
Total number of directors of the Corporation	<u>9</u>	<u>8</u>
Total remuneration received or due and receivable by directors of the Corporation	<u>853,784</u>	<u>737,181</u>

The directors of the Corporation, with the exception of the Managing Director, are appointed by the Minister for 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 Terence Enright (Chairman—term finished 30 September 2007)
Mr Keith Perrett (Chairman—appointed 1 October 2007)
Mr Ross Johns (Deputy Chairman)
Ms Nicole Birrell
Mr Steve Marshall
Dr Don Plowman
Prof. Timothy Reeves
Mr Philip Young
Mr Peter 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:

	2008	2007
Between \$130,000—\$144,999	1	3
Between \$145,000—\$159,999	2	3
Between \$160,000—\$174,999	2	—
Between \$175,000—\$189,999	—	—
Between \$190,000—\$204,999	1	4
Between \$205,000—\$219,999	2	1
Between \$220,000—\$234,999	2	—
Between \$250,000—\$264,999	—	1
	<u>10</u>	<u>12</u>
The aggregate amount of total remuneration of senior executives shown above	<u>1,873,541</u>	<u>2,115,601</u>
The aggregate amount of separation and redundancy/termination benefit payments during the year in the remuneration shown above	<u>—</u>	<u>78,800</u>

The officer remuneration includes all officers concerned with or taking part in the management of the Corporation during 2007-08 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:

	2008	2007
	\$	\$
Australian National Audit Office	22,100	18,900

WalterTurnbull 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 WalterTurnbull during the reporting period.

NOTE 15: AVERAGE STAFFING LEVELS

	2008	2007
The average staffing levels for the Corporation during the year were:	46	52

NOTE 16: FINANCIAL INSTRUMENTS

	2008	2007
	\$'000	\$'000
Note 16A: Categories of financial instruments		
<i>Financial assets</i>		
Loans and receivables financial assets		
Cash and cash equivalents	12,126	4,600
Trade and other receivables	12,656	3,967
	<u>24,782</u>	<u>8,567</u>
Available-for-sale financial assets		
Shares in unlisted companies	5,185	4,849
Fair value through profit or loss (designated)		
Managed funds	81,333	86,146
Carrying amount of financial assets	<u>111,300</u>	<u>99,562</u>
<i>Financial liabilities</i>		
At cost		
Payables	26,843	39,587
Carrying amount of financial liabilities	<u>26,843</u>	<u>39,587</u>

NOTE 16: FINANCIAL INSTRUMENTS (continued)

	2008 \$'000	2007 \$'000
Note 16B: Net income and expense from financial assets		
Loans and receivables financial assets		
Interest revenue (note 4B)	784	821
Net gain/(loss) from loans and receivables	784	821
Available-for-sale financial assets		
Impairment (note 5E)	(1,896)	(1,356)
Net gain/(loss) from available-for-sale financial assets	(1,896)	(1,356)
Fair value through profit or loss (designated)		
Interest revenue (note 4B)	4,793	4,194
Net gain/(loss) from fair value through profit and loss	4,793	4,194
Net gain/(loss) from financial assets	3,681	3,659

Note 16C: Fair values of financial instruments*Valuation method used for determining the fair value of financial instruments*

For those assets carried at fair value, the fair value was obtained by using the quoted market value at reporting date, adjusted for the transaction costs necessary for realisation.

Note 16D: Credit risk

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.

Fair value through profit or loss investments are restricted to securities that are in accordance with paragraphs 18(a)–(d) of the CAC Act, including, as a minimum, a Standard and Poor's long-term rating of A-. Further restrictions are imposed under the policies and procedures of the Corporation. The majority of loans and receivables are cash, levies from industry and amounts owed by the Australian Taxation Office in the form of a GST refund.

The Corporation manages its credit risk through:

- A monthly review by management of the Corporation's investments:
 - to ensure that they are in accordance with section 18 of the CAC Act and the Corporation's policies and procedures; and
 - to assess how the investments are performing against various benchmarks (including the Cash Rate, the 90 Day Bank Bill Index and the UBS Government Bond Index 0-5 years).
- A biannual review by the Finance, Risk and Audit Committee of the performance of the Corporation's individually managed funds in comparison with other managed funds investing in the Australian Bond and Australian Cash sectors.
- Policies and procedures that guide employees in managing debtors.

The Corporation holds no collateral to mitigate against credit risk.

NOTE 16: FINANCIAL INSTRUMENTS (continued)**Note 16D: Credit risk** (continued)

Credit risk of financial instruments not past due or individually determined as impaired:

	Not past due or impaired 2008 \$'000	Not past due or impaired 2007 \$'000	Past due or impaired 2008 \$'000	Past due or impaired 2007 \$'000
Cash and cash equivalents	12,126	4,600	—	—
Receivables	12,591	3,544	65	423
Managed funds	81,333	86,146	—	—
Shares in unlisted companies	1	1	5,184	4,848
	106,051	94,291	5,249	5,271

Ageing of financial assets that are past due but not impaired for 2008:

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Receivables	58	—	—	7	65
	58	—	—	7	65

Ageing of financial assets that are past due but not impaired for 2007:

	0 to 30 days \$'000	31 to 60 days \$'000	61 to 90 days \$'000	90+ days \$'000	Total \$'000
Receivables	410	9	—	4	423
	410	9	—	4	423

The following assets have been individually assessed as impaired:

	2008 \$'000	2007 \$'000
Shares in unlisted companies	5,184	4,848

Note 16E: Liquidity risk

The exposure to liquidity risk is based on the notion that the Corporation will encounter difficulty in meeting its obligations associated with financial liabilities.

The following tables illustrate the maturities for financial liabilities:

	On demand 2008 \$'000	Within 1 year 2008 \$'000	1 to 5 years 2008 \$'000	> 5 years 2008 \$'000	Total 2008 \$'000
Payables	—	26,224	619	—	26,843
	—	26,224	619	—	26,843

	On demand 2007 \$'000	Within 1 year 2007 \$'000	1 to 5 years 2007 \$'000	> 5 years 2007 \$'000	Total 2007 \$'000
Payables	—	37,190	2,397	—	39,587
	—	37,190	2,397	—	39,587

NOTE 16: FINANCIAL INSTRUMENTS (continued)**Note 16E: Liquidity risk** (continued)

The Corporation is exposed to minimal liquidity risk as funding is received from industry through levies and contributions from the Australian Government. In addition, the Corporation manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due and the Corporation has policies in place to ensure payments are made when due and has no past experience of default.

Note 16F: Market risk*Interest rate risk*

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Corporation is exposed to interest rate risk primarily from managed funds.

The table below details the interest rate sensitivity analysis of the Corporation at the reporting date, holding all other variables constant. A 50 basis point change is deemed to be a possible change and is used when reporting interest rate risk.

	Risk variable	Change in risk variable	Effect on		Effect on	
			Profit or loss 2008 \$'000	Equity 2008 \$'000	Profit or loss 2007 \$'000	Equity 2007 \$'000
Interest rate risk	Interest	+0.50%	908	908	1,044	1,044
		-0.50%	(908)	(908)	(1,044)	(1,044)

The method used to arrive at the possible change of 50 basis points was based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. Historical rates indicate that for the past five years, there was a bias towards an increase in interest rates ranging between 0 to 50 basis points. It is considered that 50 basis points is a 'reasonable possible' estimate as it accommodates for the maximum variations inherent in the interest rate movement over the past five years.

Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Corporation is exposed to foreign exchange currency risk primarily through undertaking certain transactions denominated in foreign currency.

The Corporation is exposed to foreign currency denominated in US dollars and Euros.

The following table details the effect on profit and equity as at 30 June from a 10 percent favourable/unfavourable change in AUS dollars against US dollars and Euros with all other variables held constant.

	Risk variable	Change in risk variable	Effect on		Effect on	
			Profit or loss 2008 \$'000	Equity 2008 \$'000	Profit or loss 2007 \$'000	Equity 2007 \$'000
Currency risk	USD	+10%	226	226	184	184
		-10%	(276)	(276)	(224)	(224)
Currency risk	EUR	+10%	10	10	20	20
		-10%	(13)	(13)	(25)	(25)

NOTE 16: FINANCIAL INSTRUMENTS (continued)**Note 16F: Market risk** (continued)

The sensitivity analysis of the Corporation's exposure to foreign currency risk at the reporting date has been determined based on the Department of Finance and Deregulation's calculated average of the five main currencies that the Commonwealth is exposed to, being USD, EUR, GBP, JPY and NZD. For each of the five currencies, an average of the past five years' annual standard deviation was taken, calculated from the observed daily movement of AUS dollars against the currency. Three standard deviations were selected as a 'reasonably' possible change as they accommodate for 99 percent of the variation in the movement of historical foreign exchange rates.

Other price risk

The Corporation is not exposed to other price risk.

NOTE 17: REPORTING OF OUTCOMES**Note 17A: Outcomes of the Corporation**

Corporation activity involves the identification, coordination, 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 2008. 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 and Capacity Building

Note 17B: Net cost of outcome delivery

	Outcome 1		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<i>Expenses</i>				
Departmental expenses	103,115	118,429	103,115	118,429
Total expenses	103,115	118,429	103,115	118,429
<i>Other external revenues</i>				
Departmental				
Interest	5,577	5,015	5,577	5,015
Industry contributions	76,647	50,868	76,647	50,868
Project refunds	4,696	3,272	4,696	3,272
Royalties	1,859	2,181	1,859	2,181
Grants	406	1,198	406	1,198
Other	363	300	363	300
<i>Total other external revenues</i>	89,548	62,834	89,548	62,834
Total other external revenues	89,548	62,834	89,548	62,834
Net cost/(contribution) of outcome	13,567	55,595	13,567	55,595

NOTE 17: REPORTING OF OUTCOMES (continued)

Note 17C: Major classes of departmental revenue and expenses by output groups

Outcome 1	Output 1		Output 2		Output 3		Output 4		Total	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Operating expenses										
Research and development	39,885	52,492	35,012	38,320	8,467	8,686	5,724	6,090	89,088	105,588
Employees	1,446	1,409	1,446	1,408	1,445	1,408	1,445	1,409	5,782	5,634
Suppliers	1,348	1,318	1,641	1,434	1,175	1,128	956	1,183	5,120	5,063
Depreciation and amortisation	152	142	152	143	153	143	153	143	610	571
Write-down of assets	1,493	1,226	—	—	403	130	—	—	1,896	1,356
Loss on disposal of fixed assets	1	—	1	—	2	—	2	—	6	—
Share of operating results (equity method)	77	—	77	—	383	217	76	—	613	217
Total operating expenses	44,402	56,587	38,329	41,305	12,028	11,712	8,356	8,825	103,115	118,429
Funded by										
Revenues from Government	16,843	17,782	14,785	12,981	3,576	2,942	2,417	2,063	37,621	35,768
Interest	2,497	2,493	2,192	1,820	530	413	358	289	5,577	5,015
Industry contributions	34,315	25,288	30,122	18,461	7,285	4,185	4,925	2,934	76,647	50,868
Project refunds	1,178	1,843	2,289	601	560	541	669	287	4,696	3,272
Royalties	465	545	465	545	465	545	464	546	1,859	2,181
Grants	10	57	330	822	66	319	—	—	406	1,198
Other	91	75	91	75	90	75	91	75	363	300
Total operating revenues	55,399	48,083	50,274	35,305	12,572	9,020	8,924	6,194	127,169	98,602

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 reflect 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.