



Annual Report FY2017-18

 **Medvet.Science**



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Introduction

It is with pleasure we present Medvet Science's 2017-2018 Annual Report. Medvet Science Pty Ltd was established in 1985 as a company owned by the Royal Adelaide Hospital and the Institute of Medical and Veterinary Science. The unique purpose of the company is to generate funds to support and develop cutting edge medical technologies which have been invented by highly skilled doctors, researchers and staff of the Central Adelaide Local Health Network (CALHN).

We have been very successful at doing this, returning over **\$38 million** to our shareholder, Central Adelaide Local Health Network (CALHN), to support medical research in South Australia and have commercialised 3 major entities with a net value of over A\$1.7 billion. One of these entities, Mesoblast Ltd, is now the world's largest regenerative medicine company. Medvet Science Pty Ltd receives no federal or state government funding. All funding for research is provided from the profits generated by our business activities.



Greg Johansen
MD & CEO, Medvet Science Pty Ltd

Highlights

Medvet.Science

- ➔ Medvet Science underwent an organisational restructure in September to provide a greater focus on the two divisions – Medvet & AusHealth. This has provided increased accountability of both sales and operations in each business unit.
- ➔ All business divisions exceeded their revenue budgets this year, with Medvet by 26%.
- ➔ Once again, Medvet Science contributed over one and a half million dollars to research this year.

Adelaide Research Translation Research to Reality



- ➔ Continued work with Firefly Pty Ltd in the development of the Hypowatch technology, with Firefly completing clinical trials to further develop the non-invasive diagnostic device for hypoglycaemia.
- ➔ Launched the Monotreme GLP-1 project for Type 2 Diabetes, a cross-institutional collaborative project with participants from 8 institutions across 3 continents.
- ➔ Forged a strong new relationship with a Melbourne-based radiopharmaceutical company to develop APOMAB to launch clinical trials of a new cancer medication.
- ➔ Oversaw the full product development of Vial Hugger, a medical aid for ophthalmologists to improve sterility and mitigate needlestick injuries during surgery.
- ➔ Released the beta version of ClinMAPS PRO, an iOS-based app that helps burns unit clinicians objectively assess scar healing.
- ➔ Created a new project to develop a novel prostate cancer prognostic with existing intellectual property from SA Pathology.
- ➔ Designated funding for a new project to develop an improved CT scanner using a SAHMRI-developed radiation source.
- ➔ 2.5 million dollars provided to establish new research and clinical trials facilities at the new Royal Adelaide Hospital.

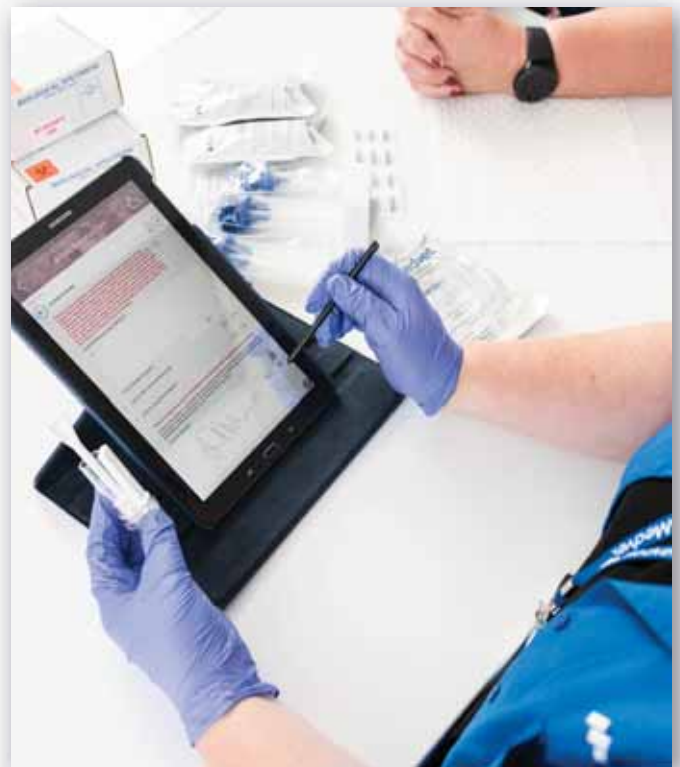


AusHealth

- ➔ AusHealth expanded its operations by adding 2 major interstate contracts to the overall portfolio.
- ➔ New contracts created great opportunities to further expand our footprint in Queensland and expand our services locally in Adelaide.
- ➔ Internally AusHealth's focus has been on continuous improvement by automating workflow processes resulting in maximum efficiency and optimising productivity.

Medvet. Industry Health & Safety Testing, Training & Prevention

- ➔ The Medvet drug and alcohol testing business unit experienced a record year of sales due to increased testing requirements and re-signing of existing clients as well as winning new national clients.
- ➔ The introduction of an electronic drug and alcohol testing form to improve accuracy and speed in delivery of results to clients was successfully implemented nationally.
- ➔ Vaccination services also experienced a record revenue year with a pertussis vaccination program delivered to a national childcare organisation. This was also Medvet's biggest year for flu vaccinations. A successful year despite the challenges of a global hepatitis B vaccine shortage.
- ➔ Training and education business unit did not reach budget however with new staff, a new structure and a renewed focus in expanding the training services portfolio, this area will nurture growth into the future.



Strategic Direction

 Medvet. Industry Health & Safety Testing, Training & Prevention	To be the first choice in Australian workplace health and safety solutions.
 AusHealth	To be the preferred provider of payment solutions to health services in Australia.
Adelaide Research Translation <small>Research to Reality</small>	To be Australia's largest and most successful hospital research commercialisation service.

Vision for 2018-2019

“Grow our business to allow us to invest \$2 million annually in identifying, shaping and advancing health and medical science with the goal of creating new business enterprises.”

Medvet's Charter (per the Company's constitution)

Without limiting the powers or objects of the Company, the objects of the Company include the following objects and, all things reasonably necessary or incidental to the carrying out of such objects:

- to conduct research into fields of science related to the services provided by CALHN;
- to undertake the commercial exploitation of knowledge acquired by CALHN in the course of conducting research alone or with any person, firm, association, body corporate or authority;
- to produce, provide or sell instruments or other equipment for use in:
 - the provision of medical diagnostic services;
 - the teaching of medical science; and
 - scientific research;
- to provide consultancy services in connection with any object;
- to apply for, purchase or otherwise acquire any patents, patent rights, copyrights, trademarks, formulae, licences, domain names or concessions for the right to use knowledge acquired by CALHN in the course of conducting research;
- to assist in the transfer of CALHN research and development results to any person, association, firm, body corporate or authority;
- to assist and to advise CALHN in identifying and undertaking any research work in the fields of human and veterinary medicine, science, education and biotechnology which is of commercial relevance;
- to provide CALHN with intellectual property services for agreements negotiated directly by CALHN with any person, firm, association, body corporate or authority and for agreements negotiated by the Company itself;
- to acquire, hold and dispose of real property or any interest;
- to vary the investments and other assets of the Company;
- to seek grants and fellowships from funding persons, associations, firms, body corporates and authorities with respect to particular projects to be undertaken by the Company;
- to accept any gifts or bequests (including made upon trust) made to the Company; and
- to promote the commercial exploitation of knowledge acquired by CALHN in the course of conducting research.

Current Operations



Collection of urine, oral fluid and hair for on-site and/or laboratory screening and/or confirmation of the presence of alcohol or drugs in pre- and post-employment markets. Medvet outsources laboratory screening and confirmation to registered NATA-accredited laboratories, principally Racing Analytical Services Ltd on a fee-for-service basis. On-site breath testing for the presence of alcohol is offered for the pre and post-employment market.

Sale of drug and alcohol testing kits (devices) and consumables for on-site testing of urine and oral fluid specimens for the presence of drugs and breathalysers for the detection of alcohol in pre and post-employment markets.

Drug and alcohol testing program management from scheduling through to collection, testing and delivery of results to clients so they are best able to make evidence-based decisions.



On-site vaccinations for infectious diseases including influenza, hepatitis A and B, tetanus, pertussis and diphtheria.

Vaccinations are administered by qualified immunisation nurses under supervision by our medical officer. We are licensed as per legislative requirements and offer this service nationally.



Medvet provides a variety of accredited and non-accredited education sessions, training courses and workshops primarily related to company drug and alcohol policies and the awareness of effects of drugs and alcohol.

Medvet is a Registered Training Organisation (RTO 40379).



Adelaide Research Translation

Research to Reality

Medvet Science maintains a diverse commercialisation portfolio and provides close support to the research teams involved. We are constantly investigating ways to offer practical improvements and are focused on the strategic development of innovative therapeutic ideas.

Key Stages of Research

1. **Innovation** - new discoveries. Medvet Science helps protect the intellectual property of hospitals and research teams, while assisting with the development strategy of the project going forward.
2. **Preclinical** - early proof of concept. This refers to animal testing, prototyping and related activities. Preclinical research further develops the idea, addresses safety risks, and pushes ideas forward to a marketable product.
3. **Clinical** - late stage research. This includes human trials, commercial scale manufacturing and industrial design. Medvet Science works with researchers to strategise, plan and finance trials.
4. **Realised** – launching a market-ready product. This is the final stage where a product is in the market, saving lives or improving health, often worldwide. Medvet's past successes include Mesenchymal Stem Cells and MicroStreak, with Hypowatch soon to join the portfolio.



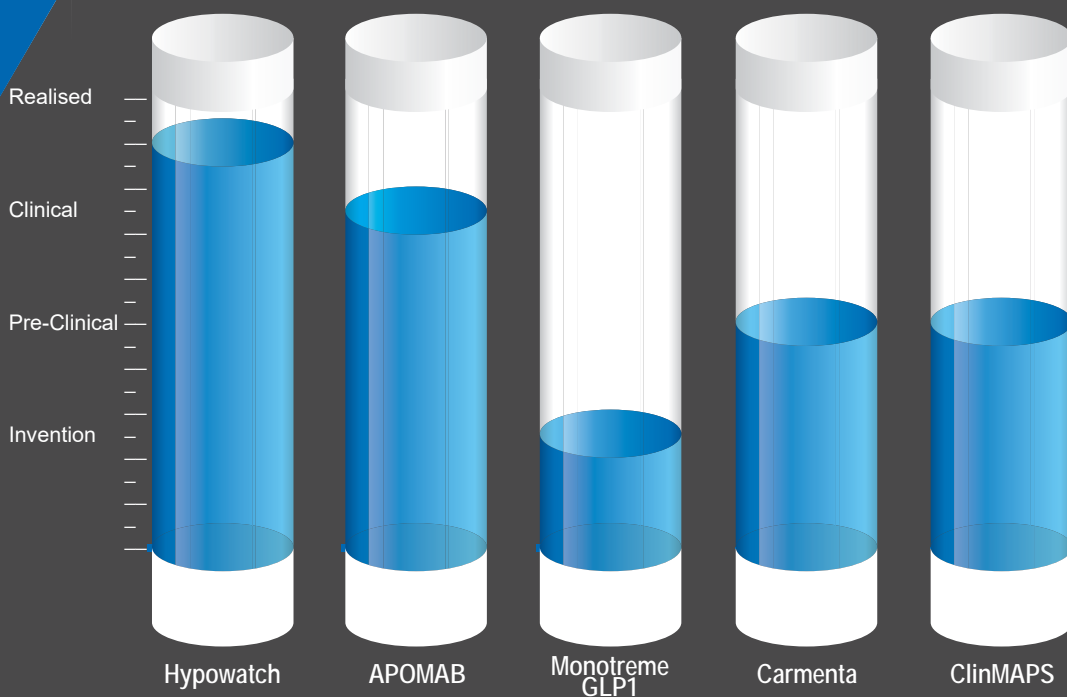
AusHealth provides outsourced accounts receivable services to hospitals within Australia.

We work with hospitals to facilitate the payments of hospital fees on behalf of Medicare ineligible patients such as students, tourists and working visa holders who require care in Australia's health system.

We meet with the patients and their families to help them navigate the complex pathway of travel and private health insurance as well as assisting with payment solutions when needed.

AusHealth's convenient online payment portal makes it easy for our clients to make payments within Australia or whilst overseas.

Our current client base consists of hospitals in SA, NSW, VIC and QLD as well as The Royal Flying Doctor Service and Ambulance Services in Australia.



Current Research Projects

Monotreme GLP1

Project Lead: Prof Frank Grutzner, Evolutionary Biology, University of Adelaide

Medvet Science identified an opportunity to capitalise on the discovery by an Adelaide-based research team of a fascinating GLP1 variant present in platypus venom. These efforts have resulted in a Medvet-led collaboration that now includes:

- The Royal Adelaide Hospital,
- SAHMRI,
- University of Adelaide,
- Flinders University,
- Monash University,
- Taronga Zoo,
- University of Copenhagen, and
- University of Missouri.

The aim of the project is to develop a new treatment for Type 2 Diabetes.

Medvet Science has committed \$200,000 in funding for this project over 2 years, and aided in commercial assessment, project development and experimental design.



APOMAB®

Project Lead: Dr Michael Brown Head, Clinical Trials Unit, RAH

APOMAB® is a novel antibody platform technology that targets proteins present in cancerous tumours.

Research is being undertaken to produce Radio-Immunoconjugate-Therapy (RIT) and Antibody-Drug-Conjugate (ADC) products for cancer treatment and diagnosis. Medvet is excitedly anticipating commencement of APOMAB® human trials in 2019.

Medvet Science has provided commercial expertise and market assessment, and assistance in protecting the technology. Medvet Science has also investigated and involved external partners to continue development, and attracted international financing for the technology's application in a number of markets.

These contributions, along with Medvet Science's own financial investment have seen the manufacture of a high-yielding cell line, ready for clinical trials and commercial manufacturing of the technology. Medvet Science has been marketing the technology internationally.

Carmenta Diagnostic

Project Lead: Dr Enzo Ranieri, Biochemical Genetics, SA Pathology

SA Pathology researchers have discovered a new class of novel biomarkers present in maternal blood that indicate the risk of Down Syndrome in a developing foetus.

This new diagnostic approach exhibits exceptional accuracy of detection in the first trimester of pregnancy. At later stages, some diagnostics pose a serious risk to the health of mother and foetus. With interest from major diagnostic companies, Medvet is supporting a prospective trial for the procedure.

Along with assisting in protecting this technology, Medvet Science has aided in commercial assessment and identifying avenues to market. Medvet Science has attracted international investment from key partners, and financed the inclusion of new research scientists in the project, with a licence pending.



Prostate Cancer Prognostic

Project Lead: Prof Lisa Butler, Prostate Cancer Unit, University of Adelaide

The global research priority for prostate cancer is to identify which patients need treatment for the lethal disease and how extensive that treatment needs to be.

Lipidomic data generated from a cohort by the Baker Medical Research Institute is being analysed to test proof of concept for the identification of lipid changes associated with metastatic relapse.

Medvet's efforts are now aimed at refining these novel prognostic signatures for the development of a screening test to inform patients of the likely future course of their disease.

Medvet conceived of a strategic collaboration between Professor Lisa Butler (University of Adelaide) and Dr Enzo Ranieri's group at SA Pathology, with extensive expertise in lipid profiling. Medvet has committed \$200,000 in funding toward this project and is now aiding in project development strategy.

Current Research Projects

ClinMAPS PRO

Project Lead: Tanja Klotz, Burns Unit, RAH



Matching Assessment with Photographs of Scars (MAPS) is an image-based guide that has been sold by the Royal Adelaide Hospital since 2005. It is a photographic standard for clinician reference when assessing the healing of a scar, informing the effectiveness of treatment. Over 1,500 copies have been sold across Australia, the US and Europe.

Upon request by the RAH Burns Unit, Medvet has converted ClinMAPS into an app for ease of use and increased functionality. It now allows input of scar assessment parameters, summarising data into a printable report. This functionality improves convenience for clinicians and patients when assessing scar healing.

HypoWatch

Technology is licensed to Firefly Pty Ltd

Worn by the patient like a wristwatch, Hypowatch is a non-invasive way of alerting the wearer to dangerously low blood sugar levels, allowing them to take action. This is particularly useful if hypoglycaemia occurs during sleep.

Medvet Science drove Hypowatch toward tangible product development, including supporting the researcher, engaging, and working with engineering teams to develop the concept device, and protecting the intellectual property for Dr Burnet and the hospital.

Medvet Science, as an agent for CALHN, licenced the device to Firefly Health. Firefly, in collaboration with Grey Innovation, has now raised over \$9 million to manufacture a medical device suitable for a worldwide market.



Vial Hugger

Project Lead: Dr Weng-Onn Chan, Ophthalmology Unit, RAH



The Vial Hugger is a medical accessory invented by ophthalmologists at the Royal Adelaide Hospital. The device docks with 1.5mL vials (Eylea, Lucentis), locking them into place securely with a simple push.

Following numerous prototype iterations with varying size and weight, the current design was finalized by Adelaide-based ScanOptics with strong consideration for aesthetics, safety and practicality. The weighted device allows a single operator to draw up a liquid drug from the vial while maintaining sterility.

Medvet funded the design and production manufacturing of the Vial Hugger, which is now available for sale on our website.

Improved Cancer Imaging Prototype

Project Lead: Dr Scott Penfold, Medical Physics Dept, RAH

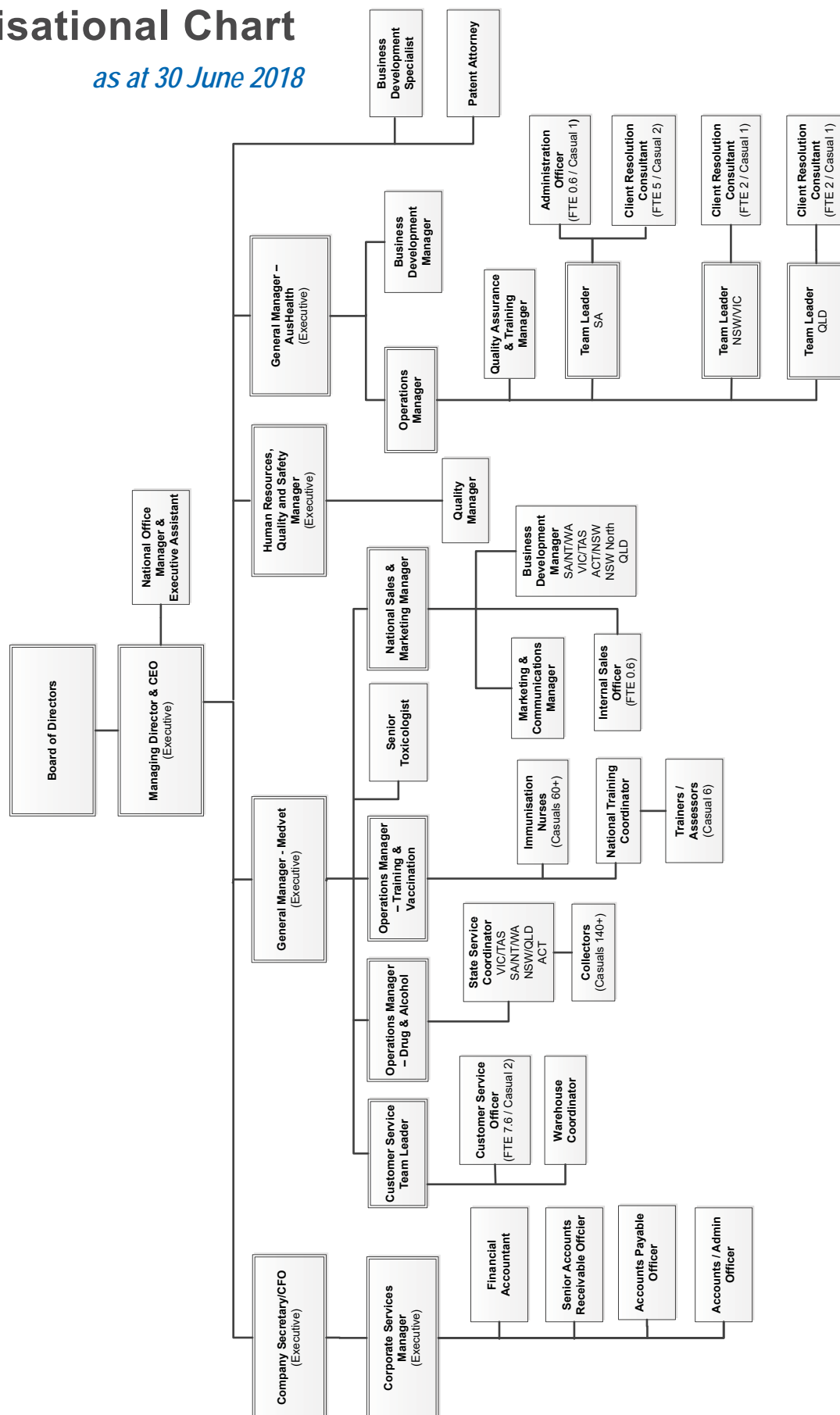
Preferred current Cone Beam Computed Tomography (CBCT) systems consist of an X-ray tube and an integrating flat panel detector which provide suboptimal image quality when compared to traditional CT systems, having limited soft tissue resolution and pixel values dependent on scattering conditions created by the patient and scattering by the panel itself. Such images are unsuitable for dose calculation in proton therapy.

CBCT images may be registered with high-resolution planning CT images, however this approach is not suitable for online adaptive radiotherapy. The aim of the project is to produce a prototype CBCT system with improved image resolution to alleviate the above problem.

Medvet has committed \$72,500 for a working laboratory prototype of this device, and is in talks with SAHMRI for strategic development of the radiation source using its Proton Therapy Unit.

Organisational Chart

as at 30 June 2018

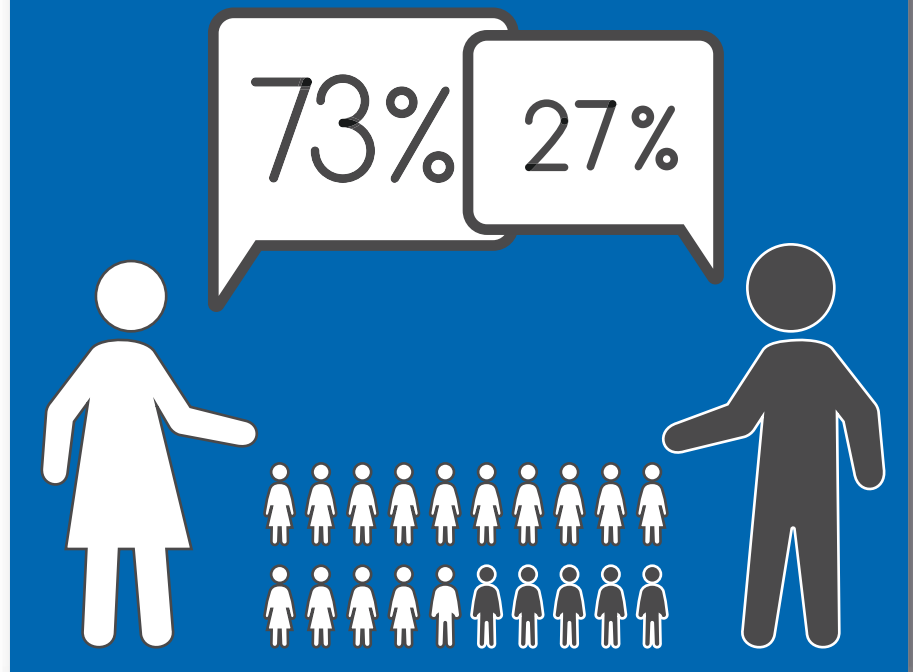


Human Resources

Employee Numbers, Gender and Role

As at 30 June 2018, there were 278 staff employed at Medvet Science during the course of the financial year: 73 men and 205 women. This includes full time, part time and casual employees.

Figure 1 : distribution of personnel by gender



Workforce Diversity & Safety

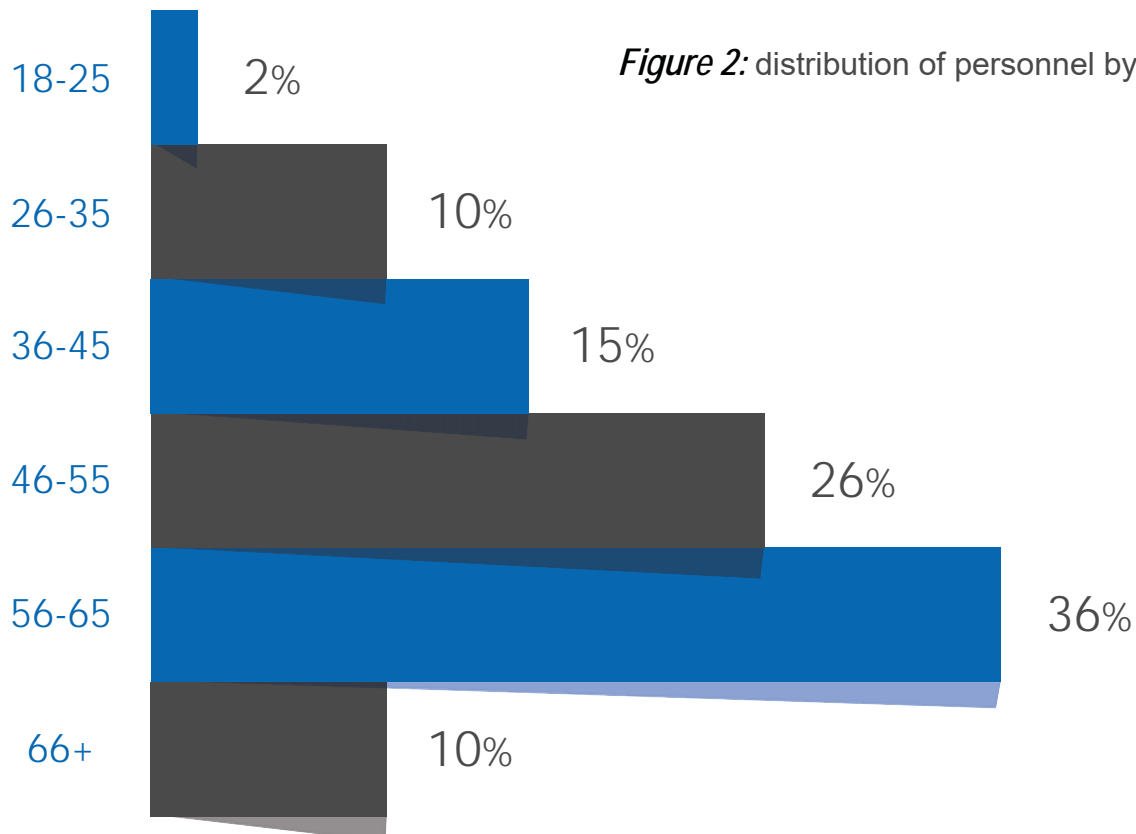


Figure 2: distribution of personnel by age cohort.

Figure 3.

➔ *Figure 3:* distribution of personnel by role type.

➔ *Figure 4:* distribution of personnel by age cohort and gender.

➔ *Figure 5:* distribution of each age cohort by role type.

➔ *Table 1:* Work Health & Safety Injury Report

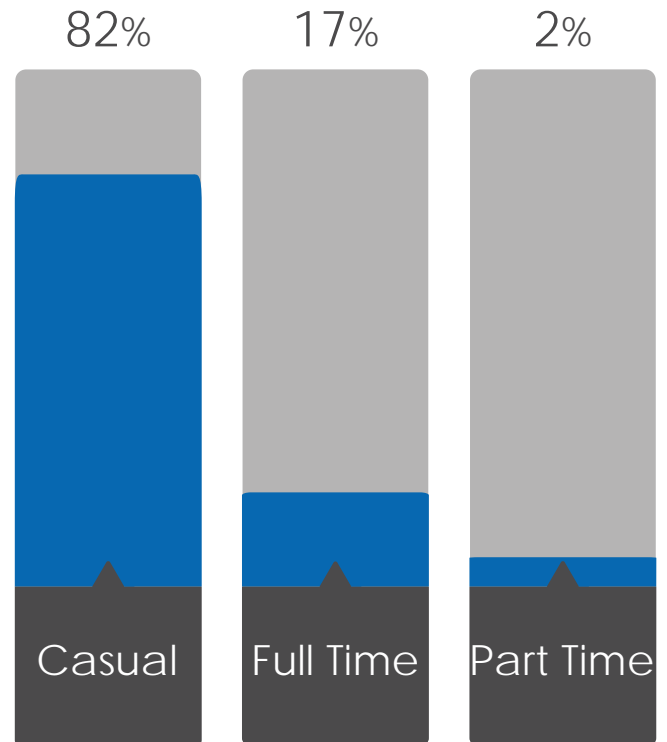
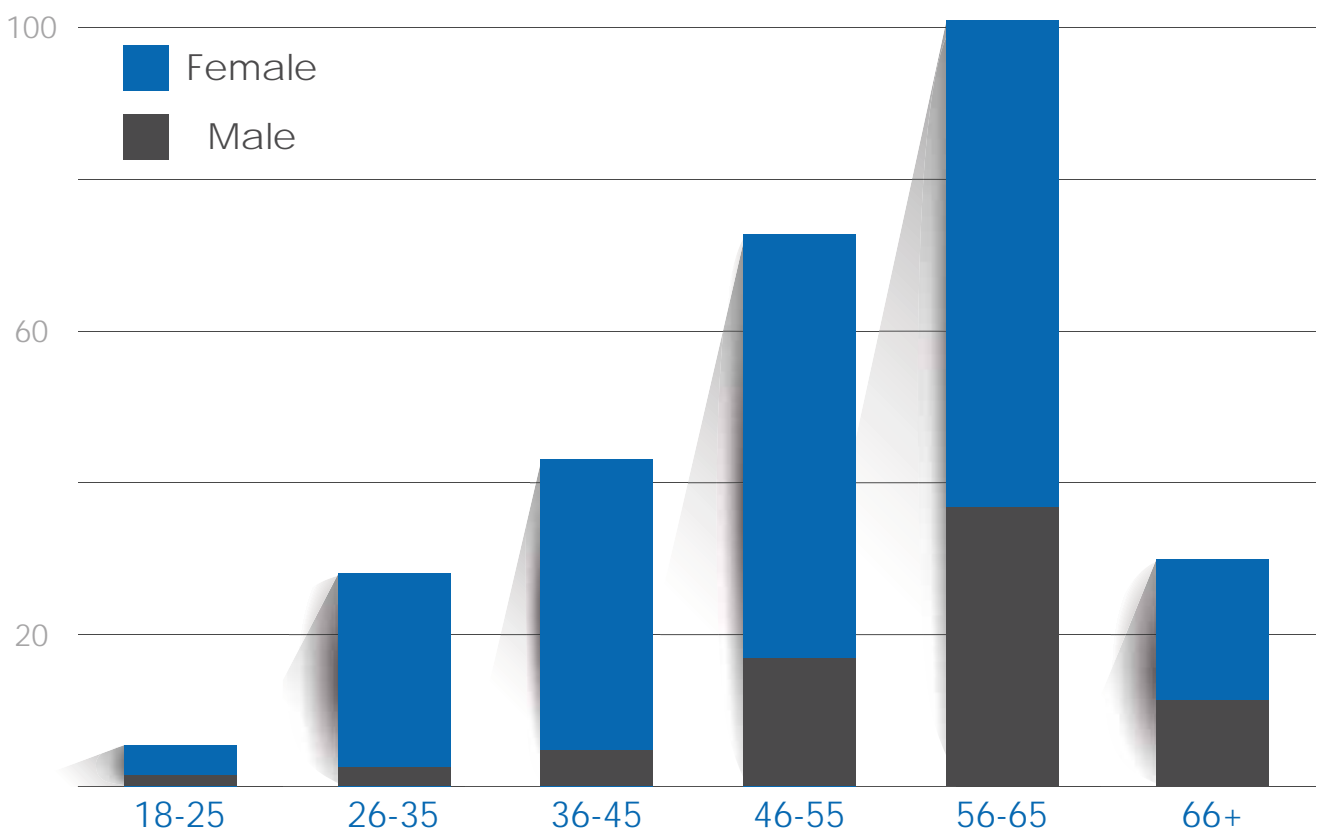
*Figure 4.*

Figure 5.

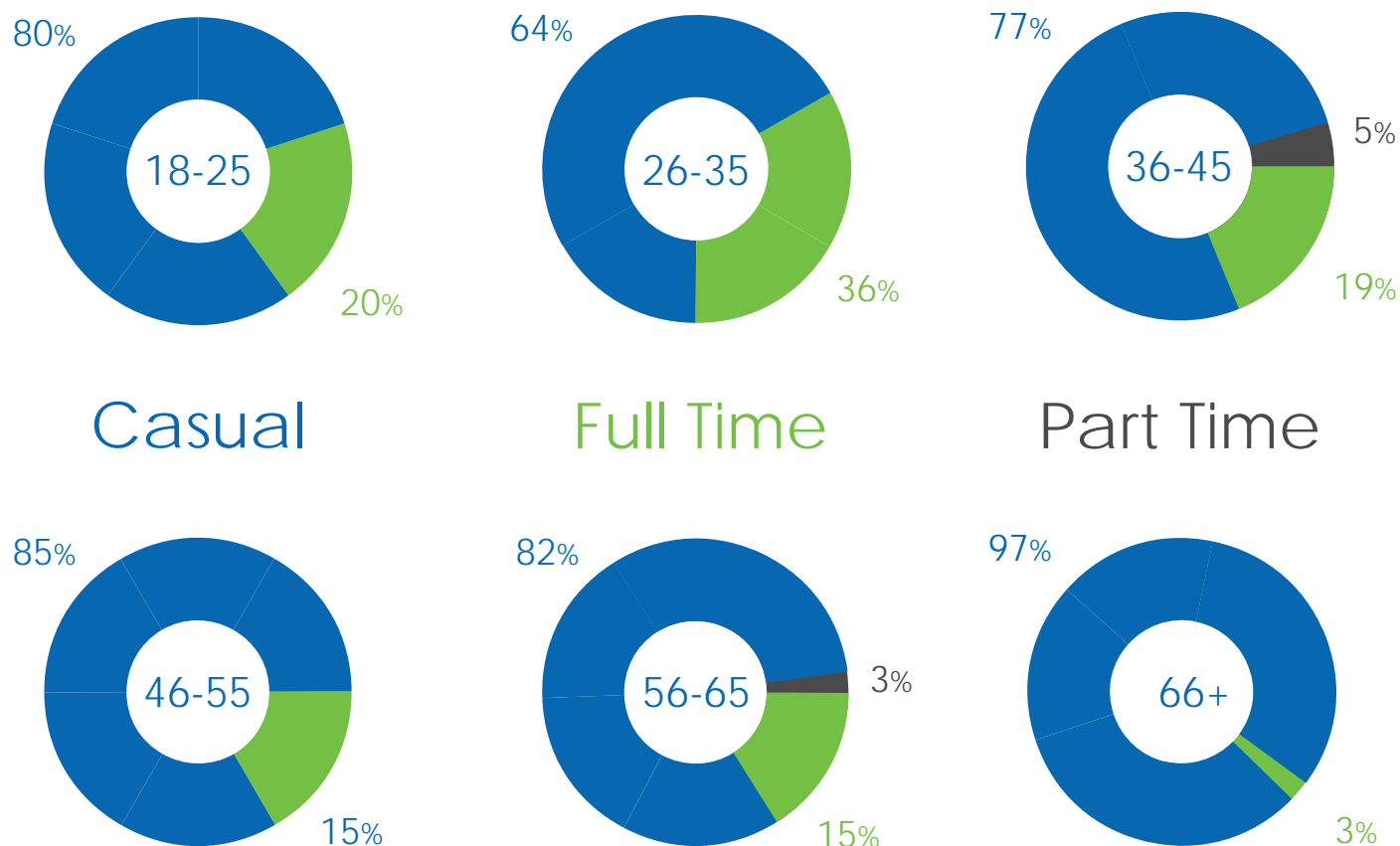


Table 1.

Category	2017-18	2016-17	2015-16
Fatalities	-	-	-
Lost Time Injury <i>(Work Cover)</i>	-	-	-
Days Lost <i>(Work Cover)</i>	31	-	-
Injury - Physical <i>(Report Only)</i>	3	5	1
Injury - Psychological <i>(Report Only)</i>	-	-	1
Injury - Medical Treatment	3	-	2
Injury - First Aid Only	2	1	2
Equipment Damage	-	-	2
Near Miss	2	-	2
Environmental Damage	-	-	-

Quality Management

Medvet Science is committed to providing consistent high-quality services and products, while creating a workplace that is safe, healthy and injury-free. To this end we have been accredited to ISO 9001:2015 (Quality Management Systems), ISO 15189:2009 (Medical Laboratories) and AS 4801:2001 (Occupational Health & Safety Systems)

AS / NZS ISO 9001:2015

No.: TQCSI AU801-QC



AS / NZS 4801:2001

No.: TQCSI AU801-SC



AS ISO 15189:2012

NATA Accreditation No.: 15338AU801-SC



Financial Performance Requirements

Introduction

Refer to Appendix 2 for Medvet Science's annual financial statements for the year ending 30 June 2018

Fraud

No frauds or suspected frauds have occurred to the knowledge of the management of Medvet Science. A comprehensive system of checks and balances to control and prevent fraud, under the advice of the Auditor-General's Department, has been maintained. Full disclosure has been made to the auditors regarding all non-compliance obligations with laws and regulations that should be considered in preparing Medvet Science's financial report.

Consultants

BDO Industrial & Organisational Psychology, National Consulting Group (SA) Pty Ltd, Red Seed Productivity Strategists and KD&A Pty Ltd were engaged as consultants during the 2017-2018 year.



Appendices



Board and Senior Management



Dr Don Mackie, Chair

Don is an experienced medical leader who has worked in a wide variety of settings – both large and small hospitals, and in government. Initially trained in the UK, Don has worked in the United States and New Zealand.

After an early career in anaesthesia and with a desire to understand how to make health care more centred on individual people, safer and more effective, Don took on the challenges of leadership and management roles.

He brings experience in developing research and innovation to organisations as well as governance, strategy and policy.



Mr Greg Johansen, Managing Director & CEO

Greg has held board positions at The Cancer Council South Australia, and was also the Chair of the Marketing Committee of the Cancer Council of South Australia. As Chair, Greg established Prostate SA and was appointed as a board member. Greg is also non-executive Director of Firefly Pty Ltd.

Greg spent the first part of his career in management roles in the pharmaceutical and medical device industries, including Ciba Geigy, Astra Zeneca, US Surgical, Johnson & Johnson, Gribbles Pathology, and the Institute of Medical and Veterinary Science.

Greg is the chair of the Intellectual Property Development Committee of the Central Adelaide Local Area Health Network which includes the Royal Adelaide Hospital, SA Pathology and Queen Elizabeth Hospitals; and has successfully managed the licensing of significant intellectual property.



Tina Schembri, CFO, Co Sec *BEC, FICA, GAICD*

Tina oversees financial reporting and KPIs; record integrity; company IT systems; and corporate regulatory and legal compliance. Tina has extensive senior finance management experience with several multinational firms.

Natalie Dixon, GM Medvet
BSc, GradDipMedLabSci, MBA
Bringing almost 20 years of sales and marketing experience, Natalie has been integral in delivering results by developing and supporting the national sales team, and marketing Medvet business across Australia.



Helena Harris, AusHealth *Operations Manager*

Helena leads AusHealth to meet the company's strategic growth objectives. Helena brings leadership experience from the corporate finance debt collection industry across Australia.



Mr Marco Baccanti, Director

Marco began his career as research scientist at the now-Thermo Fisher Scientific, filing international patents and developing innovative analytical instruments. He has held numerous executive appointments, including International Association of Science Parks, DuBiotech, and Confindustria.

Marco has sat on the leadership board of The World Economic Forum, and was involved in economic development and R&D boards of the European Commission. In 2014 The South Australian Government appointed Marco CEO of Health Industries South Australia.

Marco holds qualifications in industrial chemistry, economics and management.



Mrs Anne Hinton, Director

Anne has been a part of the biotechnology industry in South Australia since project-managing GroPep Ltd's ASX listing in 2000. As Managing Director at TGR BioSciences, Anne has been responsible for the company returning profits in excess of 40% of EBITDA culminating in its recent sale to Expedeon. Anne is also the Director and Chair at TechInSA and Burnside War Memorial Hospital.

A Chartered Accountant, Anne is a leader with strong finance, strategy and governance skills, with a focus on developing entities into commercial enterprises from roots in research or as not-for profit businesses.



Mr Paul Flynn, Director

Paul is an experienced, innovative and entrepreneurial Director and Executive with a reputation for achievement during his distinguished career in Finance and Not for Profit.

Paul has been awarded a Senior Fellowship of the Financial Services Institute of Australasia, the EY Social Entrepreneur of the Year in SA/NT, and the Equity Trustees Australian Not for Profit CEO Award for Innovation.

Paul is Non-Executive Director at Fundraising Institute Australia Ltd, Director of Australian Centre of Excellence for Post-Traumatic Stress, Trustee of the Pulteney Foundation and Executive Director of Australian Prostate Cancer Research Society Ltd, and CEO of The Hospital Research Foundation Group and of its Australian affiliates.



Dr Lee Farrand, Business Development Specialist BBiotech(hons), PhD

Lee is responsible for project management and research commercialisation. Lee has been Senior Scientist for Korea's Yuhan Corp. and BDM for a clinical trial centre, and co-founded the Regional East-Asia Clinical Trial Assoc.

Position Vacant, Human Resources Manager.



Michael Collett, Corporate Services Manager AdvDipAcct

Michael manages systems and infrastructure required to support the growth and financial security of the organisation. Michael is the WHS Committee chair and has over 30 years' experience in accounts and management.

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

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

The accompanying notes form part of these financial statements

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

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash and cash equivalents	9	2,323,994	1,610,963
Other financial assets	10	1,534,746	1,995,854
Financial assets at fair value through profit or loss	11	3,562,127	5,417,295
Trade and other receivables	12	2,482,695	1,947,733
Inventories	13	277,886	214,181
TOTAL CURRENT ASSETS		10,181,448	11,186,046
NON-CURRENT ASSETS			
Other financial assets	10	1,618,300	1,618,300
Available-for-sale financial assets	14	422,953	383,008
Investment property	15	4,670,000	4,670,000
Plant and equipment	16	(581,770)	363,692
TOTAL NON-CURRENT ASSETS		6,129,483	7,035,000
TOTAL ASSETS		16,310,931	18,221,046
CURRENT LIABILITIES			
Trade and other payables	17	1,842,044	1,417,393
Employee benefits	18	657,900	536,060
TOTAL CURRENT LIABILITIES		2,499,944	1,953,453
NON-CURRENT LIABILITIES			
Employee benefits	18	19,306	26,476
TOTAL NON-CURRENT LIABILITIES		19,306	26,476
TOTAL LIABILITIES		2,519,250	1,979,929
NET ASSETS		13,791,681	16,241,117
EQUITY			
Ordinary share capital	19	1,150,000	1,150,000
Investment revaluation reserve	20	80,108	40,163
Retained earnings	21	13,745,778	15,050,954
TOTAL SHAREHOLDERS' EQUITY		14,975,886	16,241,117

The accompanying notes form part of these financial statements

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

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

The accompanying notes form part of these financial statements

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

	Note	2018 \$	2017 \$
		Inflows (Outflows)	Inflows (Outflows)
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		13,177,494	11,078,385
Payments to suppliers and employee benefits (inclusive of goods and services tax)		(15,354,662)	(12,272,447)
Other revenue		766,500	882,924
Net cash provided by/(used in) operating activities	22	(1,410,668)	(311,138)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for plant and equipment		745,390	(230,514)
Payments for financial assets at fair value through profit or loss		(1,979,866)	(5,518,707)
Proceeds from sale of financial assets at fair value through profit or loss		4,081,252	3,769,241
Proceeds from disposal of available-for-sale financial assets		-	80,149
Payments for other financial assets		(38,892)	(124,617)
Proceeds from redemption of other financial assets		500,000	2,234,020
Net cash (used in)/provided by investing activities		3,307,884	209,572
CASH FLOW FROM FINANCING ACTIVITIES		-	-
Net increase in cash held		1,897,216	(101,566)
Cash and cash equivalents at 1 July		1,610,983	1,712,549
Cash and cash equivalents at 30 June	9	3,508,199	1,610,983

The accompanying notes form part of these financial statements

MEDVET SCIENCE PTY LTD
A.B.N. 15 008 089 745
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

1. Statement of significant accounting policies

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

Basis of preparation

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

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

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

Reporting Basis and Conventions

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

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

Compliance with IFRS

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

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

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

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

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Accounting policies

a. Cash and cash equivalents

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

b. Investments and other financial assets

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

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

When securities are classified as available for sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

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

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

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

Gains or losses arising from changes in the fair value are recognised as follows:

- For financial assets at fair value through the profit or loss – in profit or loss within fair value gains/(losses)
- For securities classified as available for sale in other comprehensive income

Impairment

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

c. Investment property

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

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

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

d. Property, plant and equipment

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

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

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

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

e. Impairment of non-financial assets

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

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

f. Inventories

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

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

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g. Trade receivables

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

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

h. Employee benefits

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

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

i. Provisions

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

j. Leases

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

i. Company as a lessee

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

ii. Company as a lessor

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

k. Trade payables

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

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l. Significant accounting judgements, estimates and assumptions

Valuation of Investment Property

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

m. Revenue

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

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

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

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

n. Specifically funded projects

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

o. Research and development

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

p. Income tax

The Company is exempt from income tax.

q. Goods and services tax (GST)

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

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

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

r. Change in accounting policy

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

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2. Purpose

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

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

Principal activities

The principle activities of the Company for the year ended 30 June 2018 were the support of medical research and the development of intellectual property for CALHN through:

- a. management and commercialisation services for intellectual property;
- b. provision of medical and health related products and services to various markets;
- c. provision of debt recovery, management, consultation and other related services.

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

Capital Management

The company's objectives when managing capital are:

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

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

3. Relationship with CALHN

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

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

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

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

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

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4. New accounting standards and interpretations

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

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

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

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

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

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

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

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

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

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

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5. Discontinued Operations

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

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

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

	2018	2017
	\$	
Revenue	-	300,664
Expenses	<u>-</u>	<u>(256,421)</u>
Profit attributable to the discontinued operation	-	44,243
	2018	2017
	\$	\$
Net cash flows from operating activities	-	89,070
Net cash flows from investing activities	-	-
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net cash flows from discontinued operations	<u>-</u>	<u>89,070</u>
	2018	2017
	\$	\$
Effect of discontinued operation on financial position of group	Nil	Nil

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	Note	2018 \$	2017 \$
6 Expenses			
Profit attributable to the company has been determined after:			
Expenses			
(a) Doubtful debts		-	9,239
Written off bad debts		1,000	20,659
		<u>1,000</u>	<u>29,898</u>
(b) Finance expenses			
Bank fees		15,670	17,443
Investment portfolio management fee		52,902	51,303
Total finance expense		<u>68,572</u>	<u>68,746</u>
(c) Auditors remuneration for auditing the financial statements - for the year ended 30 June		<u>60,000</u>	<u>62,000</u>
(d) Rental expense on operating leases		<u>255,914</u>	<u>196,692</u>
(e) Depreciation			
Depreciation	16	<u>200,072</u>	<u>127,699</u>
(f) Employee benefit expenses			
Salaries and wages		6,595,732	5,571,905
Defined contribution superannuation expense		592,532	533,902
Other employee benefits expense		368,183	440,989
Board fees		52,619	45,660
Total employee expenses		<u>7,609,066</u>	<u>6,592,456</u>
7 Other revenue			
Other revenue			
Rental income from investment property		432,396	425,437
Other		23,632	81,230
Dividend income		192,907	198,360
		<u>648,935</u>	<u>705,027</u>
Interest income			
Interest income on term deposits		85,956	119,240
Interest income on bank deposits		19,637	24,385
		<u>105,593</u>	<u>143,625</u>
8 Fair value gains / (losses)			
Net gain/(loss) on sale of available-for-sale financial assets		-	28,139
Revaluation of investment property	15	-	845,000
Fair value gains on financial assets through profit and loss		246,218	82,012
		<u>246,218</u>	<u>955,151</u>
9 Cash and cash equivalents			
At call deposits with financial institutions		<u>2,323,994</u>	<u>1,610,983</u>
10 Other financial assets			
Current assets			
Short term deposits less than 3 months from balance date		1,534,746	500,000
Short term deposits with greater than 3 months from balance date		-	1,495,854
		<u>1,534,746</u>	<u>1,995,854</u>
Non current assets			
Long term deposits with greater than 12 months maturity from balance date		<u>1,618,300</u>	<u>1,618,300</u>
		<u>1,618,300</u>	<u>1,618,300</u>
11 Financial assets at fair value through profit or loss			
- shares in listed corporations, at fair value		2,493,735	2,997,696
- floating rate notes, at fair value		429,542	1,578,198
- listed securities and managed funds		638,850	841,401
		<u>3,562,127</u>	<u>5,417,295</u>
Changes in fair values of financial assets at fair value through the profit or loss are recorded in profit and loss. A \$246,218 gain was recorded in other revenue in 2018 (2017 \$82,012)			

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	Note	2018 \$	2017 \$
12 Trade and other receivables			
Trade and other receivables		2,063,462	1,535,541
Amounts receivable from related parties		140,833	153,842
Allowance for impairment loss (a)		(96,086)	(96,086)
		<u>2,108,209</u>	<u>1,593,297</u>
Accrued revenue		189,977	183,016
Prepaid expenses		184,509	171,420
		<u>374,486</u>	<u>354,436</u>
		<u>2,482,695</u>	<u>1,947,733</u>
(a) Allowance for impairment loss			
Trade receivables are non-interest bearing and are generally on 30 day terms. Provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. No impairment charge has been recognised by the Company in the current year.			
Movements in the provision for impairment loss were as follows:			
At 1 July		96,086	86,847
Charge for the year		-	9,239
At 30 June		<u>96,086</u>	<u>96,086</u>
At 30 June, the ageing analysis of trade receivables is as follows:			
Past due not impaired			
Up to 3 Months		476,301	372,269
> 3 Months		-	-
		<u>476,301</u>	<u>372,269</u>
Payment terms on these amounts have not been re-negotiated, however the Company is satisfied that payment will be received in full.			
13 Inventories			
Finished goods		277,886	214,181
Provision for impairment		-	-
		<u>277,886</u>	<u>214,181</u>
14 Available for sale financial assets			
Listed investments:			
- shares in listed corporations, at fair value		-	-
- floating rate notes, at fair value		422,953	383,008
- listed securities and managed funds		-	-
Total available for sale financial assets		<u>422,953</u>	<u>383,008</u>
The fair value of listed available for sale investments has been determined directly by a reference to published price quotations in an active market.			
During the year the board of directors regularly assesses the Company's portfolio and determines the Company's medium to long term investment strategies including any impairment.			

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	Note	2018 \$	2017 \$
15 Investment property			
Land and buildings at fair value		4,670,000	4,670,000
		<u>4,670,000</u>	<u>4,670,000</u>
(a) Movements in carrying amounts			
Opening balance		4,670,000	3,825,000
Net gain from fair value adjustment		-	845,000
Carrying amount at end of year		<u>4,670,000</u>	<u>4,670,000</u>
(b) Land and buildings are leased to an external party pursuant to an operating lease.			
An independent valuation of the land and buildings located at 20 Dalglish Street, Thebarton was prepared by Knight Frank, Qualified Valuers and Property Consultants, in accordance with Australian Accounting Standard AASB140 as at June 2017.			
In assessing the market value, the valuer has adopted the capitalisation of net market approach as the primary valuation method with the direct comparison approach as a check method. This resulted in a level 2 fair value. Fair value hierarchy has been explained in detail in note 27(f).			
The market fair value of the property was determined to be \$4,670,000 at 30 June 2017			
Under State government policy this class of asset is required to be independently valued every 3 years. Next valuation for this purpose is due June 2020.			
Rental income amounting to \$432,396 has been recognised during the year. (2017: \$425,437)			
The lessee is responsible for payment of all outgoings.			
16 Plant and equipment			
Plant and equipment at cost		643,190	1,388,580
Accumulated depreciation		<u>(1,224,960)</u>	<u>(1,024,888)</u>
Total plant and equipment		<u>(581,770)</u>	<u>363,692</u>
Movements in carrying amounts			
Opening balance at 1 July		363,692	256,401
Additions		(745,390)	246,119
Disposals		-	(11,129)
Depreciation		(200,072)	(127,699)
Carrying amount at 30 June		<u>(581,770)</u>	<u>363,692</u>
17 Payables			
Current			
Trade creditors		74,207	124,156
Amounts payable to related parties		336,815	339,161
Sundry and other creditors		1,431,022	954,076
Total trade and other payables		<u>1,842,044</u>	<u>1,417,393</u>

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	Note	2018 \$	2017 \$
<hr/>			
Current liabilities include amounts held on behalf of other parties \$933,488 as at 30 June 2018 (\$457,804 as at 30 June 2017) that are payable on demand but are unlikely to be required at short notice.			
18			
Employee benefits			
Current			
Annual leave entitlements		282,130	230,727
Long service leave entitlements		375,770	305,333
		<u>657,900</u>	<u>536,060</u>
The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision 2018-\$657,900 (2017- \$536,060) is presented as current, since the company does not have an unconditional right to defer settlement for any of these obligations. However based on past experience the following amounts reflect the leave not expected to be taken or paid within the next 12 months.			
Current Leave obligations to be settled after 12 months		315,781	257,300
Non-current			
Long service leave entitlements		<u>19,306</u>	<u>26,476</u>
Total employee entitlement liability		<u>677,206</u>	<u>562,536</u>
19			
Issued capital			
1,150,000 fully paid ordinary shares	3	<u>1,150,000</u>	<u>1,150,000</u>
No cash dividend has been declared or paid in 2017/18			
20			
Reserves			
Investments revaluation reserve - available for sale financial assets		80,108	40,163
		<u>80,108</u>	<u>40,163</u>
The investments revaluation reserve records changes in the fair value on available for sale financial assets. Amounts are reclassified to profit or loss when the asset is sold or impaired.			
21			
Retained earnings			
Retained earnings balance at beginning of year		15,050,954	14,666,438
Net profit for the year		(1,305,176)	384,516
Retained earnings at end of the financial year		<u>13,745,778</u>	<u>15,050,954</u>

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	Note	2018 \$	2017 \$
22			
Reconciliation of net profit to net cash flows from operations			
Profit/(loss) for the year		(1,305,176)	384,516
Depreciation		200,072	127,699
Revaluation of investment property		-	(845,000)
Disposal of assets		-	(4,477)
Net gain/(loss) on sale of available for sale financial instruments		-	(28,139)
Fair value (gains) on financial assets through profit and loss		(246,218)	(82,012)
Changes in assets and liabilities			
(Increase)/Decrease in trade and other receivables		(534,962)	(97,371)
(Increase)/Decrease in inventories		(63,705)	46,500
Increase/(Decrease) in trade and other payables		424,651	145,195
Increase/(Decrease) in employee benefits		114,670	41,951
Cash inflow/(outflow) from operating activities		<u>(1,410,668)</u>	<u>(311,138)</u>
23			
Capital expenditure commitments			
Capital expenditure commitments payable - not later than 1 year		<u>66,827</u>	<u>93,800</u>
24			
Leasing commitments			
Disclosures by lessee			
leases as at 30 June are as follows:			
- not later than 1 year		194,818	77,019
- later than 1 year but not later than 5 years		220,000	12,650
- greater than 5 years		<u>414,818</u>	<u>89,669</u>
Property leases with rent payable monthly in advance.			
Disclosures by lessor			
Future minimum rentals receivable under non-cancellable operating leases as at 30 June are as follows:			
- not later than 1 year		469,392	462,000
- later than 1 year but not later than 5 years		1,017,016	1,463,000
- greater than 5 years		<u>-</u>	<u>-</u>
		<u>1,486,408</u>	<u>1,925,000</u>
Five year property lease commencing September 2016 for premises located at 20 Dalglish Street, Thebarton, SA with rent collectable monthly in advance.			

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A.B.N. 15 008 089 745
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
25			
Key management personnel			
(a)			
Details of key management personnel			
<i>Directors</i>			
Donald Stuart Mackie (Appointed 08/11/2017)			
Paul Damian Flynn (Appointed 08/11/2017)			
Anne Therese Hinton (Appointed 08/11/2017)			
Marco Baccanti (Appointed 11/11/2017)			
Mr Gregory Harold Johansen (Re-appointed 10/03/2018)			
Mr Ian Kowalick (Resigned 17/11/2017)			
Mr Tim Burfield (Resigned 17/11/2017)			
(b)			
Compensation for key management personnel			
Short-term benefits:		367,592	355,912
Long-term benefits		29,965	37,936
Total compensation		<u>397,557</u>	<u>393,848</u>
26			
Superannuation commitments			
During the financial year the Company participated in an employee superannuation plan. The Company pays fixed contributions into separate entities and has no legal or constructive obligation to pay further amounts. Benefits provided under the plan are based on accumulated contributions and fund earnings for each employee. Obligations for contributions to defined superannuation plans are recognised as an employee benefit expense in note 5(f).			
27			
Related party transactions			
The Company undertook the following transactions with CALHN, under arms length commercial terms and conditions:			
- sales of goods and services		1,386,774	1,499,127
- acquisition of goods and services		1,184,794	133,980
- amounts receivable from		140,833	153,842
- amounts payable to		336,815	339,161

MEDVET SCIENCE PTY LTD
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$																																				
<hr/>																																							
28	Financial risk management objectives and policies																																						
<p>The Company's principal financial instruments comprise, receivables, trade and other payables, financial assets at fair value through profit and loss, available for sale investments, cash and short term deposits. The Company manages its exposure to key financial risk including interest rate and currency risk in accordance with the Board's policy of managing the majority of its financial investments through an independent, professional investment advisor who provides regular portfolio performance reports for Board review, overseeing the Company's liquidity and ensuring timely turnover of receivables and payables.</p> <p>The Board reviews and agrees policies for each of the risks identified below.</p> <p>(a) Interest rate risk</p> <p>This item relates to the Company's exposure to interest rate risk i.e., the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average market interest rates on those financial assets.</p> <p>Weighted average effective interest rate</p> <table><tr><td>- cash at bank</td><td>0.95%</td><td>1.40%</td></tr><tr><td>- Short term deposits less than 3 months from balance date</td><td>2.50%</td><td>2.95%</td></tr><tr><td>- Short term deposits with greater than 3 months from balance date</td><td>3.12%</td><td>2.60%</td></tr></table> <table><tr><td>- cash at bank</td><td>2,323,994</td><td>1,610,983</td></tr><tr><td>- Short term deposits less than 3 months from balance date</td><td>1,534,746</td><td>500,000</td></tr><tr><td>- Short term deposits with greater than 3 months from balance date</td><td>1,618,300</td><td>3,114,154</td></tr><tr><td></td><td><hr/><hr/>5,477,040</td><td><hr/><hr/>5,225,137</td></tr></table> <p>Interest rates on all the financial assets detailed above are either fixed for various terms ranging from 3 to 42 months or are floating and are reset to market rates at maturity.</p> <p>The following sensitivity analysis is based on the interest rate risk exposure in existence at balance date:</p> <table><tr><td></td><td colspan="2">Profit - higher (lower)</td></tr><tr><td></td><td>2018</td><td>2017</td></tr><tr><td></td><td>\$</td><td>\$</td></tr><tr><td>+1% (100 basis points)</td><td>31,530</td><td>36,000</td></tr><tr><td>-1% (100 basis points)</td><td>(31,530)</td><td>(36,000)</td></tr></table>				- cash at bank	0.95%	1.40%	- Short term deposits less than 3 months from balance date	2.50%	2.95%	- Short term deposits with greater than 3 months from balance date	3.12%	2.60%	- cash at bank	2,323,994	1,610,983	- Short term deposits less than 3 months from balance date	1,534,746	500,000	- Short term deposits with greater than 3 months from balance date	1,618,300	3,114,154		<hr/> <hr/> 5,477,040	<hr/> <hr/> 5,225,137		Profit - higher (lower)			2018	2017		\$	\$	+1% (100 basis points)	31,530	36,000	-1% (100 basis points)	(31,530)	(36,000)
- cash at bank	0.95%	1.40%																																					
- Short term deposits less than 3 months from balance date	2.50%	2.95%																																					
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	Profit - higher (lower)																																						
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For the Year Ended 30 June 2018

(b) Price risk

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

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

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

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

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

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

(c) Foreign currency risk

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

(d) Credit risk

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

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

(e) Liquidity risk

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

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

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A.B.N. 15 008 089 745
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

(f) Fair value hierarchy

(i) *Financial assets*

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

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

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

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

Financial assets at fair value through profit or loss

	Level 1	Level 2	Level 3
30 June 2018 - financial assets at fair value	3,562,127	-	-
30 June 2017 - financial assets at fair value	5,417,295	-	-

Available-for-sale financial assets

30 June 2018 - available for sale financial assets	422,953	-	-
30 June 2017 - available for sale financial assets	383,008	-	-

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

(ii) *Non-financial assets*

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

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

MEDVET SCIENCE PTY LTD
A.B.N. 15 008 089 745
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 30 June 2018

29 Events after the balance sheet date

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

30 Contingent assets

No contingent assets identified

31 Contingent liabilities

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

32 Company details

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

Medvet Science Pty Ltd
65 Hardys Road
Underdale SA 5032

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



MEDVET SCIENCE PTY LTD
ABN 15 008 089 745

DIRECTORS' REPORT

Your directors present their report on Medvet Science Pty Ltd (the Company) for the financial year ended 30 June 2018 together with the external audit report thereon.

1. Directors

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

Mr Ian John Kowalick (resigned 1th November 2017)
Mr Timothy Paul Burfield (resigned 1th November 2017)
Mr Gregory Harold Johansen
Dr Donald Stewart Mackie (appointed 8th November 2017)
Ms Anne Therese Hinton (appointed 8th November 2017)
Mr Paul Damian Flynn (appointed 8th November 2017)
Mr Marco Baccanti (appointed 11th November 2017)

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

2. Review of operations

The Company is a for profit organisation and the total loss for the Company for the financial year was \$1,305,176.

The Company is exempt from the payment of income tax.

3. Principal activities

The Company was established to support the development of intellectual property for Central Adelaide Local Health Network (CALHN).

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

The principal activities of the Company for the year ended 30 June 2018 were the support of medical research and the development of intellectual property for CALHN through:

- a. management and commercialisation services for intellectual property;
- b. provision of medical and health related products and services to various markets;
- c. provision of debt management, consultation and other related services.

During the year, the Company provided \$2.8 million in support of research and Intellectual Property Commercialisation.

No significant change in the nature of these activities occurred during the year.

4. Significant changes in the state of affairs

No significant changes in the Company's state of affairs occurred during the financial year.

5. Events Subsequent to the End of the Reporting Period.

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

6. Likely Developments and Expected Results of Operations

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

7. Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

8. Dividends

No dividends have been declared or paid during the year.

9. Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

10. Director's benefits

No director has received, or become entitled to receive, a benefit (other than a benefit in the aggregate amounts of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company), by reason of a contract made by the Company or related Corporation with the director or with a firm of which he/she is a member, or with a Company in which he/she has a substantial financial interest.

11. Indemnifying Officers or Auditors

- a. During the financial year the Company has paid an insurance premium of \$6,474 for a contract of indemnity against a liability incurred as a director or officer for the costs or expenses to defend legal proceedings in respect of persons who are or were directors or officers of the Company.
- b. The Company has not, during or since the end of the financial year, in respect of any person who is or has been an Auditor of the Company or of a related body corporate:
 - i. indemnified or made any relevant agreement for indemnifying against a liability incurred as an Auditor, including costs and expenses in successfully defending legal proceedings or
 - ii. paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an Auditor for the costs or expenses to defend legal proceedings.

12. Proceedings on Behalf of the Company

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

The Company was not party to any such proceeding during the year.

13. Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 26.

Signed in accordance with a resolution of the Board of Directors

Director: Director:

Dated this day of August 2018

For official use only



Government of South Australia
Auditor-General's Department

Our ref: A18/130

27 August 2018

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www.audit.sa.gov.au

Dr D Mackie
Chair
Medvet Science Pty Ltd
65 Hardys Road
UNDERDALE SA 5032

Dear Dr Mackie

Independence declaration

I am responsible for the audit of Medvet Science Pty Ltd for the year ended 30 June 2018, and I declare that, to the best of my knowledge and belief, during the year there have been:

- i. no contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Medvet Science Pty Ltd during the period.

Yours sincerely

Ian McGlen
Acting Auditor-General

For official use only



Government of South Australia
Auditor-General's Department

Our ref: A18/130

27 August 2018

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Dr D Mackie
Chair
Medvet Science Pty Ltd
65 Hardys Road
UNDERDALE SA 5032

Dear Dr Mackie

Auditor's independence declaration

As you are aware the *Corporations Act 2001* (section 307C) requires the auditor to provide a written declaration annually to the directors of the company stating that either there have been no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* (Act) and any applicable code of professional conduct; or in the case that there have been contraventions, specific details of those contraventions need to be provided. In the case of the Auditor-General, the provisions within APES 110 'Code of Ethics for Professional Accountants' and 'Code of Ethics for the South Australian Public Sector' are to be applied.

Auditing standards, which have the force of law under the Act, require the auditor to comment in the auditor's report on any material inconsistencies between the directors' report and the financial report, and to consider the impact of any material misstatements of fact in the directors' report.

The independence declaration is to be included in the directors' report and as such it is not possible to provide this declaration at the same time as the independent auditor's report.

Section 307C(5A) of the Act allows the auditor's report to be signed after the auditor's independence declaration is given to directors provided that:

- the auditor's declaration is given before the directors pass a resolution accepting the directors' report
- the directors' report is signed within seven days after the auditor's declaration is given
- the relevant auditor's report is made within seven days after the directors' report is signed and includes a statement regarding whether or not their independence has changed since the signing of the declaration. Where circumstances have changed, the auditor's report must set out how the declaration would differ.

For official use only

A declaration of independence for the audit of Medvet Science Pty Ltd for the year ended 30 June 2018 is attached. You should now be in a position to finalise the directors report.

Please forward a signed and dated copy of the report to Mr Daniel O'Donohue, Assistant Auditor-General, of this Department within seven days, as required by section 307C(5A) of the Act.

Yours sincerely



Ian McGlen
Acting Auditor-General



Medvet Science Pty Ltd

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AusHealth

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