



INDEPENDENT AUDITOR'S REPORT

To the Minister for Agriculture, Drought and Emergency Management

Opinion

In my opinion, the financial statements of the Fisheries Research and Development Corporation ('the Entity') for the year ended 30 June 2020:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2020 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following statements as at 30 June 2019 and for the year then ended:

- Statement by the Accountable Authority, Managing Director and A/g Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under the Act. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Lorena Skipper

Executive Director

Delegate of the Auditor-General

Canberra

19 August 2020



**Financial statements
for the year ended
30 June 2020**

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FISHERIES RESEARCH AND DEVELOPMENT CORPORATION (FRDC)

STATEMENT BY THE ACCOUNTABLE AUTHORITY (CHAIR AND CHAIR FINANCE, AUDIT AND RISK MANAGEMENT COMMITTEE), MANAGING DIRECTOR AND A/g CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2020 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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

This statement is made in accordance with a resolution of the directors.



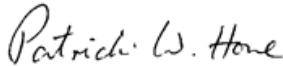
Signed.....
Mr John Williams
Chair
Accountable Authority

19-August-2020
Date



Signed.....
Dr Lesley Macleod
Chair Finance, Audit and Risk Management Committee

19-August-2020
Date



Signed.....
Dr Patrick Hone
Managing Director

19-August-2020
Date



Signed.....
Ms Cheryl Cole
A/g Chief Financial Officer

19-August-2020
Date

Statement of Comprehensive Income

for the period ended 30 June 2020

| | Notes | 2019-20 \$ | 2018-19 \$ | Original Budget \$ |
|---|-------|--------------------|-------------------|--------------------------|
| NET COST OF SERVICES | | | | |
| Expenses | | | | |
| Employee benefits | 1.1A | 3,036,925 | 3,605,110 | 4,021,000 |
| Suppliers | 1.1B | 1,512,070 | 1,542,554 | 2,097,000 |
| Projects | 1.1C | 28,937,131 | 29,803,871 | 34,000,000 |
| Depreciation and amortisation | 2.2A | 364,297 | 183,464 | 200,000 |
| Finance costs | 1.1D | 10,018 | - | - |
| Write-down and impairment of assets | 1.1E | 5,001 | 12,073 | - |
| Other expenses | 1.1F | 575,246 | 70,130 | 1,120,000 |
| Total expenses | | 34,440,688 | 35,217,202 | 41,438,000 |
| Own-source income | | | | |
| Own-source revenue | | | | |
| Revenue from contracts with customers | 1.2A | 817,717 | - | - |
| Interest | 1.2B | 302,329 | 544,651 | 410,000 |
| Grants | 1.2C | - | 3,418,716 | - |
| Contributions | 1.2D | 8,424,865 | 10,181,347 | 8,584,000 |
| Other revenue | 1.2E | 1,403,353 | 1,931,438 | 2,600,000 |
| Total own-source revenue | | 10,948,264 | 16,076,152 | 11,594,000 |
| Total own-source income | | 10,948,264 | 16,076,152 | 11,594,000 |
| Net cost of services | | 23,492,424 | 19,141,050 | 29,844,000 |
| Revenue from the Australian Government | 1.2F | 22,083,577 | 23,478,957 | 23,407,000 |
| (Deficit)/surplus on continuing operations | | (1,408,847) | 4,337,907 | (6,437,000) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Items not subject to subsequent reclassification to net cost of services | | | | |
| Changes in asset revaluation reserves | 2.2A | 115,315 | (1,664) | - |
| Total other comprehensive income/(loss) | | 115,315 | (1,664) | - |
| Total comprehensive (loss)/income | | (1,293,532) | 4,336,243 | (6,437,000) |

The above statement should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2020

| | Notes | 2019-20 \$ | 2018-19 \$ | Original Budget \$ |
|---|-------|-------------------|-------------------|--------------------------|
| ASSETS | | | | |
| Financial assets | | | | |
| Cash and cash equivalents | 2.1A | 26,411,348 | 24,553,443 | 15,657,000 |
| Trade and other receivables | 2.1B | 2,306,370 | 4,826,305 | 3,493,000 |
| Other investments | 2.1C | - | 5,001 | 5,001 |
| Total financial assets | | 28,717,718 | 29,384,749 | 19,155,001 |
| Non-financial assets ¹ | | | | |
| Buildings | 2.2A | 834,433 | - | - |
| Plant and equipment | 2.2A | 129,400 | 74,450 | 122,000 |
| Computer software | 2.2A | 601,095 | 686,425 | 1,100,000 |
| Other non-financial assets | 2.2B | 14,070 | 11,258 | 10,000 |
| Total non-financial assets | | 1,578,998 | 772,133 | 1,232,000 |
| Total assets | | 30,296,716 | 30,156,882 | 20,387,001 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 2.3A | 193,836 | 255,499 | 190,000 |
| Projects | 2.3B | 1,414,377 | 210,786 | 250,000 |
| Total payables | | 1,608,213 | 466,285 | 440,000 |
| Interest bearing liabilities | | | | |
| Leases | 2.4A | 847,595 | - | - |
| Total interest bearing liabilities | | 847,595 | - | - |
| Provisions | | | | |
| Employee provisions | 3.1A | 695,438 | 1,019,845 | 797,000 |
| Total provisions | | 695,438 | 1,019,845 | 797,000 |
| Total liabilities | | 3,151,246 | 1,486,130 | 1,237,000 |
| Net assets | | 27,145,470 | 28,670,752 | 19,150,001 |
| EQUITY | | | | |
| Asset revaluation reserves | | 526,551 | 411,236 | 413,000 |
| Retained earnings | | 26,618,919 | 28,259,516 | 18,737,001 |
| Total equity | | 27,145,470 | 28,670,752 | 19,150,001 |

The above statement should be read in conjunction with the accompanying notes.

¹ Right-of-use assets are included in the following line item - Buildings.

Statement of Changes in Equity

for the period ended 30 June 2020

| | 2019-20 | 2018-19 | Original Budget |
|--|--------------------|-------------------|--------------------|
| | \$ | \$ | \$ |
| RETAINED EARNINGS | | | |
| Opening balance | | | |
| Balance carried forward from previous period | 28,259,516 | 23,921,609 | 25,174,001 |
| Adjustment on initial application of AASB 15/AASB 1058/AASB 16 | (231,750) | - | - |
| Opening balance | 28,027,766 | 23,921,609 | 25,174,001 |
| Comprehensive income | | | |
| (Deficit)/surplus for the period | (1,408,847) | 4,337,907 | (6,437,000) |
| Total comprehensive (loss)/income | (1,408,847) | 4,337,907 | (6,437,000) |
| Closing balance as at 30 June 2020 | 26,618,919 | 28,259,516 | 18,737,001 |
| ASSET REVALUATION RESERVE | | | |
| Opening balance | | | |
| Balance carried forward from previous period | 411,236 | 412,900 | 413,000 |
| Opening balance | 411,236 | 412,900 | 413,000 |
| Comprehensive income | | | |
| Other comprehensive income/(loss) | 115,315 | (1,664) | - |
| Total comprehensive income/(loss) | 115,315 | (1,664) | - |
| Closing balance as at 30 June 2020 | 526,551 | 411,236 | 413,000 |
| TOTAL EQUITY | | | |
| Opening balance | | | |
| Balance carried forward from previous period | 28,670,752 | 24,334,509 | 25,587,001 |
| Adjustment on initial application of AASB 15/AASB 1058/AASB 16 | (231,750) | - | - |
| Opening balance | 28,439,002 | 24,334,509 | 25,587,001 |
| Comprehensive income | | | |
| (Deficit)/surplus for the period | (1,408,847) | 4,337,907 | (6,437,000) |
| Other comprehensive income/(loss) | 115,315 | (1,664) | - |
| Total comprehensive (loss)/income | (1,293,532) | 4,336,243 | (6,437,000) |
| Closing balance as at 30 June 2020 | 27,145,470 | 28,670,752 | 19,150,001 |

The above statement should be read in conjunction with the accompanying notes

Cash Flow Statement

for the period ended 30 June 2020

| | Notes | 2019-20 \$ | 2018-19 \$ | Original Budget \$ |
|---|-------|---------------------|---------------------|--------------------------|
| OPERATING ACTIVITIES | | | | |
| Cash received | | | | |
| Receipts from the Australian Government | | 24,215,784 | 22,248,062 | 24,607,000 |
| Contributions | | 10,563,053 | 10,604,532 | 9,959,000 |
| Grants | | 59,798 | 3,418,716 | - |
| Interest | | 322,680 | 519,160 | 410,000 |
| Net GST received | | 2,524,007 | 1,646,468 | - |
| Other | | 1,543,688 | 2,124,582 | - |
| Total cash received | | 39,229,010 | 40,561,520 | 34,976,000 |
| Cash used | | | | |
| Employees | | (3,361,332) | (3,597,929) | (4,181,000) |
| Suppliers | | (2,534,291) | (1,760,515) | (3,199,000) |
| Projects expenditure | | (30,627,253) | (32,881,918) | (34,000,000) |
| Interest payments on lease liabilities | | (10,018) | - | - |
| Other | | (632,771) | - | - |
| Total cash used | | (37,165,665) | (38,240,362) | (41,380,000) |
| Net cash from operating activities | | 2,063,345 | 2,321,158 | (6,404,000) |
| INVESTING ACTIVITIES | | | | |
| Cash used | | | | |
| Purchase of property, plant and equipment | | - | (16,799) | (50,000) |
| Purchase of intangibles | | (43,556) | (44,738) | (300,000) |
| Total cash used | | (43,556) | (61,537) | (350,000) |
| Net cash used by investing activities | | (43,556) | (61,537) | (350,000) |
| FINANCING ACTIVITIES | | | | |
| Cash used | | | | |
| Principal payments of lease liabilities | | (161,884) | - | - |
| Total cash used | | (161,884) | - | - |
| Net cash used by financing activities | | (161,884) | - | - |
| Net increase in cash held | | 1,857,905 | 2,259,621 | (6,754,000) |
| Cash and cash equivalents at the beginning of the reporting period | | 24,553,443 | 22,293,822 | 22,411,000 |
| Cash and cash equivalents at the end of the reporting period | 2.1A | 26,411,348 | 24,553,443 | 15,657,000 |

The above statement should be read in conjunction with the accompanying notes

Overview

Objectives of the FRDC

The FRDC is an Australian Government controlled entity. It is a not-for-profit entity established as a statutory corporation on 2 July 1991 under the provisions of the *Primary Industries Research and Development Act 1989* (PIRD Act). The FRDC's mission is to act as a national thought leader, facilitating knowledge creation, collaboration and innovation to shape the future of fishing and aquaculture in Australia for the benefit of the Australian people. To achieve this, the FRDC plans, invests in and manages research and development for fishing and aquaculture, and the wider community, and ensures that the resulting knowledge and innovation is adopted for impact. The FRDC also undertakes monitoring of key indicators of change across fishing and aquaculture. This helps in the evaluation of impact that results from the FRDC's investments. Information collected is also of use to decision-makers, to understand and respond to emerging issues.

The FRDC's strong relationships with sectors, managers and researchers are fundamental to enable the needs of key stakeholders to be identified and addressed.

The FRDC is structured to meet the following outcome:

Increased economic, social and environmental benefits for Australian fishing and aquaculture, and the wider community, by investing in knowledge, innovation, and marketing.

The continued existence of the FRDC in its present form, and with its present outcome, is dependent on Australian Government policy, and on continuing funding from the Australian Government for the FRDC's outcome.

The basis of preparation

The financial statements are general purpose financial statements, and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis, and in accordance with the historical cost convention, except for certain assets and liabilities 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 statements are presented in Australian dollars.

New Australian Accounting Standards

Adoption of new and future Australian Accounting Standard requirements

The new standards, revised standards, interpretations and amending standards that were issued prior to the signing of the statements by the Board Chair; Finance, Audit and Risk Management Committee Chair; Managing Director; and A/g Chief Financial Officer; and are applicable to the current reporting period. The impact of the standards is considered further in Note: 2.3B - Project payables and Note: 2.4A - Leases.

| Standard/ Interpretation | Nature of change in accounting policy, transitional provisions ¹ , and adjustment to financial statements |
|--|--|
| AASB 15 <i>Revenue from Contracts with Customers</i> / AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i> and AASB 1058 <i>Income of Not-For-Profit Entities</i> | <p>AASB 15, AASB 2016-8 and AASB 1058 became effective 1 July 2019.</p> <p>AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 <i>Revenue</i>, AASB 111 <i>Construction Contracts</i> and Interpretation 13 <i>Customer Loyalty Programmes</i>. The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.</p> <p>AASB 1058 is relevant in circumstances where AASB 15 does not apply. AASB 1058 replaces most of the not-for-profit (NFP) provisions of AASB 1004 <i>Contributions</i> and applies to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable the entity to further its objectives, and where volunteer services are received.</p> <p>The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.</p> |
| AASB 16 <i>Leases</i> | <p>AASB 16 became effective on 1 July 2019.</p> <p>This new standard has replaced AASB 117 <i>Leases</i>, Interpretation 4 <i>Determining whether an Arrangement contains a Lease</i>, Interpretation 115 <i>Operating Leases – Incentives</i> and Interpretation 127 <i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>.</p> <p>AASB 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. AASB 16 substantially carries forward the lessor accounting in AASB 117, with the distinction between operating leases and finance leases being retained.</p> <p>The details of the changes in accounting policies, transitional provisions and adjustments are disclosed below and in the relevant notes to the financial statements.</p> |

Application of AASB 15 Revenue from Contracts with Customers / AASB 1058 Income of Not-For-Profit Entities

The FRDC adopted AASB 15 and AASB 1058 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018-19 is not restated, that is, it is presented as previously reported under the various applicable AASBs and related interpretations.

Under the new income recognition model the FRDC shall first determine whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are 'sufficiently specific'. If an enforceable agreement exists and the promises are 'sufficiently specific' (to a transaction or part of a transaction), the FRDC applies the general AASB 15 principles to determine the appropriate revenue recognition. If these criteria are not met, the FRDC shall consider whether AASB 1058 applies.

In relation to AASB 15, the FRDC elected to apply the new standard to all new and uncompleted contracts from the date of initial application. The FRDC is required to aggregate the effect of all of the contract modifications that occur before the date of initial application.

In terms of AASB 1058, the FRDC is required to recognise volunteer services at fair value if those services would have been purchased if not provided voluntarily, and the fair value of those services can be measured reliably.

The first column shows amounts prepared under AASB 15 and AASB 1058 and the second column shows what the amounts would have been had AASB 15 and AASB 1058 not been adopted:

Impact on transition 1-Jul-19

The impact on transition is summarised below:

Departmental

Liabilities

| | |
|--------------------------|----------------|
| Contract liabilities | 231,750 |
| Total liabilities | <u>231,750</u> |

| | |
|---|----------------|
| Total adjustment recognised in retained earnings | <u>231,750</u> |
|---|----------------|

Set out below are the amounts by which each financial statement line item is affected as at and for the year ended 30 June 2020 as a result of the adoption of AASB 15 and AASB 1058. The first column shows amounts prepared under AASB 15 and AASB 1058 and the second column shows what the amounts would have been had AASB 15 and AASB 1058 not been adopted:

| Transitional disclosure | AASB 15 / AASB 1058 \$'000 | Previous AAS \$'000 | Increase / (decrease) \$'000 |
|---|----------------------------------|------------------------|------------------------------------|
| Revenue | | | |
| Revenue from contracts with customers | 817,717 | - | 817,717 |
| Grants | - | 877,515 | (877,515) |
| Contributions | 8,424,865 | 8,950,865 | (526,000) |
| Total Revenue | <u>9,242,582</u> | <u>9,828,380</u> | <u>(585,798)</u> |
| Net (cost of)/contribution by services | <u>9,242,582</u> | <u>9,828,380</u> | <u>(585,798)</u> |
| Departmental | | | |
| Liabilities | | | |
| Contract liabilities | 817,548 | - | 817,548 |
| Total liabilities | <u>817,548</u> | <u>-</u> | <u>817,548</u> |
| Total adjustment recognised in retained earnings | <u>817,548</u> | <u>-</u> | <u>817,548</u> |

Application of AASB 16 Leases

The FRDC adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated, that is, it is presented as previously reported under AASB 117 and related interpretations.

The FRDC elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 117 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.

AASB 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The FRDC applied the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if AASB 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under AASB 136 Impairment of assets as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.

As a lessee, the FRDC previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the FRDC recognises right-of-use assets and lease liabilities for most leases. However, the FRDC has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of AASB 16, the FRDC recognised right-of-use assets and lease liabilities in relation to leases of office space, which had previously been classified as operating leases.

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the FRDC's incremental borrowing rate as at 1 July 2019. The FRDC's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The annual weighted-average rate applied was 1.0896%.

The right-of-use assets were measured as follows:

- Office space: measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- All other leases: the carrying value that would have resulted from AASB 16 being applied from the commencement date of the leases, subject to the practical expedients noted above.

Impact on transition

On transition to AASB 16, the FRDC recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

| | 1-Jul-19 |
|---------------------------------|-----------|
| Departmental | |
| Right-of-use assets - Buildings | 612,889 |
| Lease liabilities | (612,889) |
| Retained earnings | <u>-</u> |

The following table reconciles the Departmental minimum lease commitments disclosed in the FRDC's 30 June 2019 annual financial statements to the amount of lease liabilities recognised on 1 July 2019:

| | 1-Jul-19 |
|--|----------------|
| Minimum operating lease commitments at 30 June 2019 | 617,566 |
| Less: low value leases not recognised | (4,677) |
| Undiscounted lease payments | <u>612,889</u> |
| Less: effect of discounting using the incremental borrowing rate as at the date of initial application | - |
| Lease liabilities recognised at 1 July 2019 | <u>612,889</u> |

Taxation

The FRDC is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Comparative

Comparative figures have been adjusted so they conform with changes in the presentation of these financial statements at Note 1.1F - Other expenses.

Events after the reporting period

The FRDC recognises ongoing uncertainties due to the widespread impact of COVID-19, and in particular the second wave post 30 June 2020. At this stage the financial impact on FRDC has not been material. The FRDC has taken a number of measures to continually monitor and mitigate the financial and operational effects of COVID-19 within our industry.

In addition, we have developed strategies to mitigate the effects within the workplace to protect the safety and wellbeing of our staff.

FRDC budgetary explanation of major variances

The following information provides a comparison of the original budget as presented in the 2019-20 Portfolio Budget Statements (PBS) to the 2019-20 final outcome as presented in accordance with Australian Accounting Standards for the FRDC. The Budget is not audited. Explanations of major variances are provided below.

Major Variance and Explanations from original budget to actual result for 2019-20

Statement of Comprehensive Income

Employee expenses decreased due to unanticipated staff exits and delays in recruitment commencing the new workforce plan.

Supplier expense decreased due to reduced travel arrangements and ICT costs.

Project contractual commitments originally forecast can vary due to the timing of completion of project deliverables. Project deliverables are subject to significant variation due to research delays and in 2019-20 project expenses decreased largely driven by impacts of COVID-19.

Depreciation increased due the adoption the new Accounting Standard AASB 16.

Other expenses allowed for Marketing expenses for Marketing levy arrangements that were not established.

Grants increased due to additional Research & Development funding received from Department of Agriculture Water and the Environment (DAWE) under the Research & Development deed with DAWE.

The original budget has been reclassified under AASB 1055 (6 and 12) to represent the actual result with the following line items:

- Contributions were increased \$1.2m to include the industry levy contributions for the Australian Fisheries Management Authority R&D levies and the Australian Prawn Farmers Association levies
- Revenue from Australian Government has been reduced \$1.2m to remove the industry levy contributions for the Australian Fisheries Management Authority R&D levies, and the Australian Prawn Farmers Association prawn levies

Other revenue originally forecast allowed for additional increased project contributions that did not eventuate.

Changes in asset revaluation reserves increased due to the revaluation of fixed assets under a new leasing term of 3 years.

Statement of Financial Position

Cash and cash equivalents were higher due to contractual project commitments expenditure delays, that were originally forecast to be spent in 2019-20. This resulted in a higher than anticipated cash balance at year end and these commitments will now be paid in 2020-21.

Trade and other receivables may vary due to the timing of the Department of Agriculture Water and the Environment, Australian Gross Value Production Determination which can result in increases to aged debtors at year end. The decrease is due to revenue from Australian Government was received earlier than originally forecast in the 2019-20 PBS.

Project payables increased due adoption of the new Accounting Standard AASB 15 resulting in an increase to contract liabilities.

Building and Interest bearing liabilities increased as a result of adoption of the new Accounting Standard AASB 16.

Intangibles varied due to the intangible costs and extent of works were lower than budget.

Retained earnings increased due to the increase in net income as a result from lower than anticipated project expenses.

Statement of Cash Flows

The variance between actual and forecast cash and cash equivalents for the period is explained in the Statement of Comprehensive Income and Statement of Financial Position.

Financial Performance

| | 2019-20 | 2018-19 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| Note 1.1: Expenses | | |
| Note 1.1A: Employee benefits | | |
| Wages and salaries | 2,174,828 | 2,665,931 |
| Superannuation | | |
| Defined contribution plans | 186,191 | 207,562 |
| Defined benefit plans | 364,549 | 382,025 |
| Leave and other entitlements | 311,357 | 349,592 |
| Total employee benefits | 3,036,925 | 3,605,110 |

Accounting policy

Accounting policies for employee related expenses are contained at Note 3.1A.

Note 1.1B: Suppliers

Goods and services supplied or rendered

| | | |
|---|------------------|------------------|
| Agency staff | - | 31,786 |
| Asset purchases less than \$5,000 | 20,589 | 52,196 |
| Audit fees | 36,000 | 36,000 |
| External service providers | 483,853 | 333,826 |
| Insurance | 32,640 | 37,149 |
| Information technology | 503,612 | 317,607 |
| Joint research and development corporation (RDC) activities | 72,390 | 56,347 |
| Legal | 27,247 | 11,381 |
| Office supplies | 14,292 | 19,192 |
| Postage and couriers | 1,883 | 2,769 |
| Property | 22,424 | 44,421 |
| Recruitment/director selection costs | - | 4,527 |
| Representation | 31,728 | 69,085 |
| Representative organisations consultation | 46,699 | 5,926 |
| Telecommunications | 34,882 | 34,662 |
| Training | 79,031 | 116,370 |
| Travel | 70,178 | 155,730 |
| Other | 17,814 | 27,655 |
| Total goods and services supplied or rendered | 1,495,262 | 1,356,629 |

Other suppliers

Operating lease rental in connection with external parties

| | | |
|--------------------------------------|------------------|------------------|
| Workers compensation expenses | 11,236 | 13,903 |
| Operating lease rentals ¹ | 5,572 | 172,022 |
| Total other suppliers | 16,808 | 185,925 |
| Total suppliers | 1,512,070 | 1,542,554 |

Supplier expenses in relation to communication activities were reclassified in the comparative year, due to the implementation of a new communications budget activity as per the FRDC 2019-20 approved Annual Operational Plan. As a result, \$70,130 has been transferred to Note: 1.1F.

¹ Operating lease

The FRDC has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The FRDC has no short-term lease commitments as at 30 June 2020.

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 1.1D, 2.2A and 2.4A.

Canberra office

The lease for the office accommodation at 25 Geils Court, Deakin, Australian Capital Territory has been renegotiated for a further three years and expires 31 July 2023, with a 3 year right of renewal until 31 July 2026. Lease payments are subject to a 3 percent annual increase in accordance with the lease agreement.

Adelaide office

The lease for the office accommodation at Wine Australia, corner Botanic and Hackney Roads, Adelaide, South Australia commenced 31 March 2016 with an annual right of renewal until 30 March 2021. The current lease term expires 30 March 2021. Lease payments are subject to the annual increase in accordance with movements in the consumer price index.

Accounting Policy

Short-term leases

The FRDC has no right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less.

| | 2019-20 | 2018-19 |
|--|-------------------|-------------------|
| | \$ | \$ |
| <i>Note 1.1: Expenses continued</i> | | |
| Note 1.1C: Projects | | |
| Australian Government entities (related parties) | 2,979,893 | 3,188,851 |
| State and territory governments | 5,227,433 | 7,050,061 |
| Universities and educational bodies | 8,546,062 | 7,851,284 |
| Research and development corporations | 175,622 | 15,804 |
| Industry (commercial, recreational and Indigenous) | 8,185,701 | 6,908,786 |
| Overseas research entities | 27,106 | 139,365 |
| Private providers | 3,795,314 | 4,649,720 |
| Total projects | 28,937,131 | 29,803,871 |

Accounting policy

The FRDC recognises project liabilities through project agreements that require research partners to perform services or provide facilities, or to meet eligibility criteria. In these cases, liabilities are recognised only to the extent that the services required have been performed, an invoice issued consistent with the contractual requirements, and the eligibility criteria have been satisfied by the research partner to the FRDC's satisfaction and approved invoice payment by the relevant delegate.

Project commitments

Project commitments comprise the future funding of approved projects that are contingent on the achievement of agreed deliverables over the life of those projects (project agreements are exchanged prior to release of the first payment on a project). Projects, where amounts were payable but were unpaid at the end of the period, have been brought to account as project payables. The FRDC contracts to fund projects in future years in advance of receipt of the income needed to fund them. FRDC manages this risk by having the project agreement allow for termination at its sole discretion for any reason. If the FRDC were to terminate a project agreement, it would only be liable to compensate the research partner for any reasonable costs in respect of unavoidable loss incurred by the research provider and directly attributable to the termination of the agreement, provided that the costs are fully substantiated to the FRDC.

Project commitments are payable as follows:

| | | |
|--|-------------------|-------------------|
| Within 1 year (unpaid deliverables up to 30 June 2021) | 36,613,413 | 35,014,593 |
| Between 1 to 5 years (1 July 2021 to 30 June 2025) | 22,234,485 | 16,352,491 |
| Over 5 years (from 1 July 2025) | 55,000 | - |
| Total project commitments | 58,902,897 | 51,367,084 |

Note: Project commitments are GST inclusive.

Note 1.1D: Finance costs

| | | |
|-----------------------------|---------------|----------|
| Finance leases ¹ | 10,018 | - |
| Total finance costs | 10,018 | - |

¹ The FRDC has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with the accompanying notes 1.1B, 2.2A and 2.4A.

Note 1.1E: Write down and impairment of assets

| | | |
|---|--------------|---------------|
| Write down of Asco Shareholding investment ¹ | 5,001 | - |
| Write down of intangible assets ² | - | 12,073 |
| Total write down and impairment of assets | 5,001 | 12,073 |

¹ FRDC's One-eighteenth share in Australian Seafood Co-Products Pty Ltd (Assoc) was written down to zero at 30 June 2020, due the closure of the Company. (refer note: 2.1C: Other investments).

² FRDC's business process software was written down at 31 October 2018.

Note 1.1F: Other expenses

| | | |
|----------------------------------|----------------|---------------|
| Communications | | |
| Annual report | 25,321 | 23,765 |
| Factsheets | 11,922 | - |
| Communications External Provider | 159,682 | - |
| Media monitoring and releases | 33,600 | 43,780 |
| Other stakeholder consultation | 25,500 | - |
| FISH Magazine | 277,510 | - |
| Sponsorship | 8,446 | - |
| Corporate Merchandise | 2,300 | - |
| Photos and Videos | 368 | 2,585 |
| Education materials and events | 30,597 | - |
| Total other expenses | 575,246 | 70,130 |

In 2019-20 communications expenses were disclosed as a separate activity and consisted of new and existing communication activities. The comparative year includes existing expenses of \$70,130, previously classified in Note: 1.1B - Supplier Expenses. The FISH Magazine was previously expensed as a project ceasing in January 2020, and the expenses up to January 2020 were \$233,230 (2018-19 \$491,121). All other communication expenses with no comparatives listed are newly created communication activities with no previous comparative amounts.

| | 2019-20 | 2018-19 |
|---|----------------|----------|
| | \$ | \$ |
| Note 1.2: Own-source income and revenue from the Australian Government | | |
| Own-source revenue | | |
| Note 1.2A: Revenue from contracts with customers | | |
| Australian Government entities (related parties) - over time | 817,717 | - |
| Total revenue from contracts with customers | 817,717 | - |

The FRDC has applied AASB 15 and AASB 1058 and has not applied retrospectively for comparatives, and therefore it has not been restated.

Accounting policy

The FRDC receives revenue from the Australian Government under which it manages a suite of research activities. These activities are listed at Note 3.4B, page 22. FRDC has specific funding agreements with the Australian Government that include enforceable rights and performance obligations. The FRDC initially recognises the funding received as a credit liability entry to recognise the contracted liability (refer note: 2.3B). Once the performance obligations have been satisfied as per the funding agreement milestones over time, it is then recognised as revenue from contracts with customers, unwinding the liability.

Note 1.2B: Interest

| | | |
|-----------------------|----------------|----------------|
| Deposits | 302,329 | 544,651 |
| Total interest | 302,329 | 544,651 |

Accounting policy

Interest revenue is recognised using the effective interest method.

Note 1.2C: Grants

| | | |
|---|----------|------------------|
| Australian Government | | |
| Department of Agriculture, Water and the Environment ¹ | - | 3,418,716 |
| Total grants | - | 3,418,716 |

¹ Research & Development funding from Department of Agriculture Water, and the Environment (DAWE)

The FRDC has a Research & Development Funding Head Agreement with the DAWE under which it manages a suite of research activities. The activities are listed at Note 3.4B, page 22.

The FRDC has applied AASB 15 and AASB 1058 and has not applied retrospectively for comparatives, and therefore it has not been restated.

Accounting policy

Australian Government grants income is revenue paid to FRDC for the purpose of funding specific research and development projects, and is recognised when:

- a) the FRDC obtains control of the grant or the right to receive the grant;
- b) it is probable that the economic benefits comprising the grant will flow to the FRDC; and
- c) the amount of the grant can be reliably measured.

Note 1.2D: Contributions

Fisheries

| | | |
|---|------------------|-------------------|
| Australian Prawn Farmers Association | 161,555 | 130,666 |
| Australian Fisheries Management Authority | 826,902 | 1,359,182 |
| New South Wales | 584,581 | 778,953 |
| Northern Territory | 217,807 | 183,439 |
| Queensland | 683,776 | 891,953 |
| South Australia | 1,148,332 | 1,500,969 |
| Tasmania | 2,728,387 | 3,166,903 |
| Victoria | 281,108 | 239,562 |
| Western Australia | 1,792,417 | 1,929,720 |
| Total contributions | 8,424,865 | 10,181,347 |

Accounting policy

Contributions are recognised when:

- a) the FRDC obtains control of the contribution or the right to receive the contribution;
- b) it is probable that the economic benefits comprising the contribution will flow to the FRDC; and
- c) the amount of the contribution can be reliably measured.

| | 2019-20 | 2018-19 |
|--|------------------|------------------|
| | \$ | \$ |
| <i>Note 1.2: Own-source income continued</i> | | |
| Note 1.2E: Other revenue | | |
| Project funds received | 1,213,991 | 1,808,250 |
| Project refunds of prior years expenditure | 189,072 | 123,188 |
| Other | 290 | - |
| Total other revenue | 1,403,353 | 1,931,438 |

Accounting policy

Project funds received are recognised when they are entitled to be received by the FRDC.
Project refunds from research partners are brought to account when received.

Note 1.2F: Revenue from the Australian Government

| | | |
|--|-------------------|-------------------|
| Department of Agriculture Water and the Environment | | |
| Corporate Commonwealth entity payment item of 0.50% of AGVP ¹ | 14,893,460 | 15,698,265 |
| Matching of industry contributions ² | 7,190,117 | 7,780,692 |
| Total revenue from the Australian Government | 22,083,577 | 23,478,957 |

¹ AGVP is the average gross value of fisheries production for the current year and the two preceding financial years. The Australian Government's contribution of 0.50% of AGVP is made on the grounds that the FRDC exercises a stewardship role in relation to fisheries resources on behalf of the Australian community.

² Matching of industry contributions (up to 0.25% of AGVP) by the Australian Government.

Accounting policy

Revenue from the Australian Government

Revenues from the Australian Government are recognised when they are entitled to be received by the FRDC.
Funding received or receivable from non-corporate Commonwealth entities (appropriated to the non-corporate Commonwealth entity as a corporate Commonwealth entity payment item for payment to this entity) is recognised as Revenue from Government by the corporate Commonwealth entity unless the funding is in the nature of an equity injection or a loan.

Financial Position

| | 2019-20 | 2018-19 |
|---|-------------------|-------------------|
| | \$ | \$ |
| Note 2.1: Financial assets | | |
| Note 2.1A: Cash and cash equivalents | | |
| Cash on hand or at call | 6,411,348 | 3,553,443 |
| Cash on deposit: | | |
| Fixed term deposit - original term 3 months | - | 15,000,000 |
| Fixed term deposit - original term 2 months | 15,000,000 | - |
| Fixed term deposit - original term 1 months | 5,000,000 | 6,000,000 |
| Total cash and cash equivalents | 26,411,348 | 24,553,443 |

Accounting policy

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- cash on hand; and
- demand deposits in bank accounts with an original maturity of three months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Note 2.1B: Trade and other receivables

Goods and services receivables

| | | |
|---|----------------|------------------|
| Goods and services | 720,256 | 1,561,369 |
| Total goods and services receivables | 720,256 | 1,561,369 |

Department of Agriculture

| | | |
|---|------------------|------------------|
| Receivables | 1,429,630 | 2,744,120 |
| Total receivables from Department of Agriculture | 1,429,630 | 2,744,120 |

Other receivables

| | | |
|--|------------------|------------------|
| GST receivable from the Australian Taxation Office | 156,484 | 520,816 |
| Total other receivables | 156,484 | 520,816 |
| Total trade and other receivables | 2,306,370 | 4,826,305 |

Trade and other receivables are expected to be recovered

| | | |
|--|------------------|------------------|
| No more than 12 months | 2,306,370 | 4,826,305 |
| Total trade and other receivables | 2,306,370 | 4,826,305 |

Trade and other receivables aged as follows

| | | |
|--|------------------|------------------|
| Not overdue ¹ | 2,239,601 | 4,677,805 |
| Overdue by | | |
| 0 to 30 days | - | 148,500 |
| 31 to 60 days | 66,769 | - |
| Total trade and other receivables | 2,306,370 | 4,826,305 |

¹Credit terms for goods and services are within 30 days (2018-19: 30 days).

Accounting policy

Financial assets

Trade receivables, loans and other receivables that are held for the purpose of collecting the contractual cash flows where the cash flows are solely payments of principal and interest, that are not provided at below-market interest rates, are subsequently measured at amortised cost using the effective interest method adjusted for any loss allowance.

Note 2.1C: Other investments

One-eighteenth share in Australian Seafood Co-Products Pty Ltd (Assoc), an unlisted company converting fish waste and fish nutrient into agriculture fertiliser products.

| | | |
|--------------------------------|----------|--------------|
| | - | 5,001 |
| Total other investments | - | 5,001 |

Australian Seafood Co-Products Pty Ltd (Assoc) Company closed effective 30 June 2020. The FRDC's share was written down to zero at 30 June 2020, as no funds will be paid out to shareholders. (refer note: 1.1E: Write down and impairment of assets).

Note 2.2: Non-financial assets

Note 2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles**Reconciliation of the opening and closing balances of property, plant and equipment and intangibles**

| | Buildings | Plant and equipment | Intangibles (computer software) | Total |
|---|-----------|---------------------|---------------------------------|-----------|
| | \$ | \$ | \$ | \$ |
| As at 1 July 2019 | | | | |
| Gross book value | - | 74,450 | 1,272,074 | 1,346,524 |
| Accumulated depreciation and amortisation | - | - | (585,649) | (585,649) |
| Total as at 1 July 2019 | - | 74,450 | 686,425 | 760,875 |
| Recognition of right of use asset on initial application of AASB 16 | 612,889 | - | - | 612,889 |
| Adjusted total as at 1 July 2019 | 612,889 | 74,450 | 686,425 | 1,373,764 |
| Additions | | | | |
| Internally developed | - | - | 43,556 | 43,556 |
| Right-of-use-assets ¹ | 396,590 | - | - | 396,590 |
| Revaluations recognised in other comprehensive income ² | - | 115,315 | - | 115,315 |
| Depreciation and amortisation | - | (60,365) | (128,886) | (189,251) |
| Depreciation on right-of-use assets | (175,046) | - | - | (175,046) |
| Total as at 30 June 2020 | 834,433 | 129,400 | 601,095 | 1,564,928 |
| Total as at 30 June 2020 represented by | | | | |
| Gross book value | 1,009,479 | 129,400 | 1,315,630 | 2,454,509 |
| Accumulated depreciation and amortisation | (175,046) | - | (714,535) | (889,581) |
| Total as at 30 June 2020 | 834,433 | 129,400 | 601,095 | 1,564,928 |
| Carrying amount of right-of-use assets | 834,433 | - | - | 834,433 |

¹ **Right-of-use-assets (Building leases)**Canberra office

The lease for the office accommodation at 25 Geils Court, Deakin, Australian Capital Territory has been renegotiated for a further three years and expires 31 July 2023, with a 3 year right of renewal until 31 July 2026.

Adelaide office

The lease for the office accommodation at Wine Australia, corner Botanic and Hackney Roads, Adelaide, South Australia commenced 31 March 2016 with an annual right of renewal until 30 March 2021. The current lease term expires 30 March 2021.

Revaluations of non-financial assets

² As at 30 June 2020, Jones Lang LaSalle Public Sector Valuations conducted a revaluation of plant and equipment. A revaluation increment of \$115,315 for 2019-20 (2018-19: decrement of \$1,664) was applied to the asset revaluation reserve by asset class and included in the equity section of the Statement of Financial Position.

No indicators of impairment were found for plant and equipment or intangibles.

No plant and equipment is expected to be sold or disposed of within the next 12 months.

Accounting policy

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 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 income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor’s accounts immediately prior to the restructuring.

Asset recognition threshold

Purchases of property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$5,000 that are expensed in the year of acquisition (other than where they form part of a group of similar items where the value is greater than \$5,000).

Lease Right of Use (ROU) Assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

On initial adoption of AASB 16 the FRDC has adjusted the ROU assets at the date of initial application by the amount of any provision for onerous leases recognised immediately before the date of initial application. Following initial application, an impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use lease asset that is impaired. Lease ROU assets continue to be measured at cost after initial recognition in Commonwealth agency, GGS and Whole of Government financial statements.

Revaluations

Following initial recognition at cost, property, plant and equipment (excluding ROU assets) are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the assets’ fair values as at the reporting date. The regularity of independent valuations depend on 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 in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed 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 to the FRDC 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:

| | 2019-20 | 2018-19 |
|------------------------|----------------------|----------------|
| Buildings | Lease term | - |
| Leasehold improvements | Lease term | Lease term |
| Plant and equipment | up to 5 years | up to 5 years |

Impairment

All assets were assessed for impairment at 30 June 2020. Where indications 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 of disposal 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 entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal, or when no further future economic benefits are expected from its use or disposal.

Intangibles

The FRDC’s intangibles comprise internally developed software and purchased software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the FRDC’s software is 10 years (2018-19: 10 years).

All software assets were assessed for indications of impairment as at 30 June 2020.

| | 2019-20 | 2018-19 |
|--|---------|---------|
| | \$ | \$ |

Note 2.2: Non-financial assets continued

Note 2.2B: Other non-financial assets

| | | |
|---|---------------|---------------|
| Prepayments | 14,070 | 11,258 |
| Total other non-financial assets | 14,070 | 11,258 |

No indicators of impairment were found for other non-financial assets.

| | 2019-20 | 2018-19 |
|--|---------|---------|
| | \$ | \$ |

Note 2.3: Payables

Note 2.3A: Suppliers and other payables

| | | |
|---|----------------|----------------|
| Trade creditors and accruals | 122,158 | 102,138 |
| FBT payable | 1,866 | 1,582 |
| PAYG payable | 69,812 | 151,779 |
| Total suppliers and other payables | 193,836 | 255,499 |

Settlement is usually made within 30 days.

Note 2.3B: Projects

| | | |
|--|------------------|----------------|
| State and territory government expense | 535,609 | 33,000 |
| Contract liability ¹ | 817,548 | - |
| Other | 61,220 | 177,786 |
| Total projects | 1,414,377 | 210,786 |

¹ The FRDC has applied AASB 15 using the modified retrospective approach and therefore the comparative information has not been restated.

The contract liability is associated with funding provided for Research & Development activities under Funding Agreements with the Department of Agriculture Water and the Environment and Department of Primary Industries NSW as detailed below.

Department of Agriculture Water and the Environment

- Assist with data generation to support APVMA application - erythromycin in finfish
- Assist with data generation to support APVMA application - Praziquantel - Skin and gill flukes (Monogenea) - Non-seriola finfish
- Development of on-farm biosecurity plan implementation support programs for aquaculture industry

The FRDC recognised a contract liability in 2019-20 totalling: \$291,548.

Department of Primary Industries NSW

- NSW seafood product development program

The FRDC recognised a contract liability in 2019-20 totalling: \$526,000.

Accounting policy

Project payables are recognised at their nominal amounts, being the amounts at which the liabilities will be settled. They relate to payments approved on achievement of agreed deliverables, but which were unpaid at the end of the reporting period. Settlement is usually made within 30 days.

As per AASB 15 *Revenue from Contracts with Customers*, contract liabilities are recognised at their nominal amounts, being the amounts at which the liabilities are not yet settled. They relate to payments received for funding provided for research and development activities, of which specific performance obligations were not met at the end of the reporting period.

| | 2019-20 | 2018-19 |
|--|---------|---------|
| | \$ | \$ |

Note 2.4: Interest Bearing Liabilities

Note 2.4A: Leases

| | | |
|--------------------------------|----------------|----------|
| Lease liabilities ¹ | 847,595 | - |
| Total leases | 847,595 | - |

¹ The FRDC has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

Total cash outflow for leases for the year ended 30 June 2020 was \$161,884 plus finance costs of \$10,018.

Accounting Policy

Refer Overview section for accounting policy on leases.

People and relationships

| | 2019-20 | 2018-19 |
|--|----------------|------------------|
| | \$ | \$ |
| Note 3.1: Employee Provisions | | |
| Note 3.1A: Employee provisions | | |
| Leave | 695,438 | 1,019,845 |
| Total employee provisions | 695,438 | 1,019,845 |
| Employee provisions that could be settled | | |
| No more than 12 months | 615,674 | 949,696 |
| More than 12 months | 79,764 | 70,149 |
| Total employee provisions | 695,438 | 1,019,845 |

Accounting policy

Liabilities for short-term employee benefits and termination benefits expected within 12 months of the end of reporting period are measured at their nominal amounts. Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the entity'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 estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

The FRDC's staff are members of the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The PSS is a defined benefit scheme for the Australian Government. The PSSap and any other superannuation funds are defined contribution schemes.

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. This liability is reported in the Department of Finance's administered schedules and notes.

The FRDC makes employer contributions to the employee's defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Australian Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

Note 3.2: Key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the FRDC, directly or indirectly, including any director of the board (whether executive or otherwise) of the FRDC. The FRDC has determined the key management personnel to be the non-executive directors, the Managing Director and senior general managers. Key management personnel remuneration is reported in the table below:

| | 2019-20 | 2018-19 |
|--|------------------|------------------|
| | \$ | \$ |
| Short-term employee benefits (salary and accrued annual leave) | 1,518,401 | 1,268,027 |
| Post-employment benefits (superannuation) | 243,247 | 214,199 |
| Other long-term employee benefits (accrued long service leave) | 44,265 | 38,600 |
| Total key management personnel remuneration expenses | 1,805,913 | 1,520,826 |

1

The total number of key management personnel that are included in the above table is 14 (2018-19: 16). They are made up of:

- seven non-executive directors
- one non-executive director (Chair)
- one Managing Director
- three senior general managers
- one acting senior general manager
- one non-executive director (Chair) (retired 1 January 2020)

Key management personnel remuneration figures have been restated for 2018-19. Accrued annual leave totalling \$85,779 has been reclassified from other long-term benefits, to short-term benefits to better align to the 2019 -20 Annual Report Executive Remuneration Note.

1

In 2018-19 an independent Member of the Finance, Audit and Risk management Committee was included in Note 3.3 Annual Remuneration ranges, for the purposes of recognising the services that were paid during 2018-19. They were not included in Note 3.2 Key management personnel remuneration, as they were paid under a consultancy agreement and not paid as key management personnel.

Note 3.3: Annual total remuneration ranges (including superannuation) paid to key management personnel

| | 2019-20 | 2018-19 |
|---|-----------|-----------|
| Nil to \$39,999 | 2 | 12 |
| \$40,000 to \$69,999 | 7 | 1 |
| \$180,000 to \$239,999 | 3 | 2 |
| \$280,000 to \$309,999 | 1 | 1 |
| \$360,000 to \$389,999 | 1 | 1 |
| Total number of key management personnel | 14 | 17 |

Note 3.4: Related party disclosures**Related party relationships**

The FRDC is an Australian Government controlled entity. Related parties to this entity are non-executive directors, the Managing Director, and senior general managers and other Australian Government entities.

The non-executive directors and the Managing Director of the FRDC during the year were:

| | |
|---------------------------|--|
| Mr John Williams | Chair (Appointed 9 March 2020) |
| Dr Kathryn Brooks | Director (Member Investment Mechanisms Working Group) |
| Professor Colin D. Buxton | Director (Deputy Chair) (A/g Chair) (Member Investment Mechanisms Working Group) |
| Dr Saranne Cooke | Director (Member Finance, Audit and Risk Management Committee) |
| Ms Katina Hodson-Thomas | Director (Member People and Culture Committee) |
| Dr Patrick Hone | Managing Director (Member Investment Mechanisms Working Group) |
| Mr Mark King | Director (Chair People and Culture Committee) |
| Mr John Lloyd | Director (Chair Investment Mechanisms Working Group) (Member Finance, Audit and Risk Management Committee) |
| Dr Lesley MacLeod | Director (Chair Finance, Audit and Risk Management Committee) |
| The Hon. Ronald Boswell | Chair (Retired 1 January 2020) |

Note 3.4A: Transactions with director-related entities

The FRDC's practice is to disclose all transactions with an entity with whom a director has an association. This means that directors who have disclosed a material personal interest that all the transactions of that entity will be listed. Typically, the FRDC will not transact with all the entities for which a director has made such a declaration. The transactions that are not with related parties as defined by AASB124 Related Party Disclosures, are identified below with an asterisk (*)

The FRDC's 'Board governance policy' provides guidance to directors on how the FRDC deals with material personal interests. Where a director has an association with an entity where a conflict has the potential to arise, in addition to the duty to disclose that association, the director absents him/herself from both the discussion and the decision-making process.

Given the breadth of Australian Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

The Directors disclosed material personal interests during the directors' related period.

| Director | Organisation and position held | Nature of interest |
|------------------------|--|--|
| Dr K. Brooks | OzFish Unlimited <i>Non-Executive Director</i> 1 July 2019 to 30 June 2020 | Research projects or work undertaken by the organisation |
| | Kal Analysis Pty Ltd <i>Director</i> 1 July 2019 to 30 June 2020 | Research projects or work undertaken by the organisation |
| | School of Humanities and Social Sciences, Faculty of Arts and Education Deakin University <i>Adjunct Associate Professor</i> 8 October 2019 to 30 June 2020 | Research projects or work undertaken by the organisation |
| Professor C. D. Buxton | Southern Rock Lobster Ltd <i>Chair</i> 1 July 2019 to 30 June 2020 | Research projects or work undertaken by the organisation |
| | Institute from Marine and Antarctic Studies University of Tasmania * <i>Adjunct Professor</i> 1 July 2019 to 30 June 2020 | Research projects or work undertaken by the organisation |
| Dr P. Hone | Council of Rural Research & Development Corporation <i>Member of the Executive and CEO's Committee</i> 1 July 2019 to 30 June 2020 | Research projects or work undertaken by the organisation |

The following transactions occurred during the directors' related period with these entities.

| Transactions with related entities | 2019-20 | | 2018-19 | |
|--|-------------|--------|-------------|--------|
| | Expenditure | Income | Expenditure | Income |
| OzFish Unlimited | 2,454 | - | 71,895 | - |
| Kal Analysis Pty Ltd | 38,566 | - | 143,726 | - |
| School of Humanities and Social Sciences, Faculty of Arts and Education Deakin University | 345,652 | - | - | - |
| Southern Rock Lobster Ltd | 191,290 | 852 | 810,590 | - |
| Institute from Marine and Antarctic Studies University of Tasmania | 3,840,665 | - | 3,561,224 | 3,250 |
| Council of Rural Research & Development Corporation | 51,940 | - | 33,093 | - |

All transactions were conducted under normal terms and conditions and include GST.

Note 3.4B: Other related party disclosures**Department of Agriculture Water and the Environment**

The FRDC has a Research & Development Funding Head Agreement with the Department of Agriculture Water and the Environment under which it manages the suite of activities detailed below:

- AQUAPLAN Development Workshop Publication
- Aquatic Animal Health Training Scheme 2019-2022
- Data generation to support APVMA Application
- Development of on-farm biosecurity plan implementation support programs for aquaculture industry
- National Carp Control Plan
bringing 'white' fish to the market
- The role of the recreational fisher in the stewardship of the Southern Bluefin Tuna fishery

The FRDC has received funding from Department of Agriculture Water and the Environment in 2019-20 totalling: \$877,515 (2018-19: \$3,418,716).

Financial instrument and fair value measurements

| | 2019-20 | 2018-19 |
|--|---------|---------|
| | \$ | \$ |

Note 4.1: Financial instruments

Note 4.1A: Categories of financial instruments

Financial assets at amortised cost

| | | |
|---|-------------------|-------------------|
| Cash and cash equivalents | 26,411,348 | 24,553,443 |
| Trade and other receivables | 720,256 | 1,561,369 |
| Other investments | - | 5,001 |
| Total Financial assets at amortised cost | 27,131,604 | 26,119,813 |

Total financial assets

| | |
|-------------------|-------------------|
| 27,131,604 | 26,119,813 |
|-------------------|-------------------|

Financial liabilities

Financial liabilities measured at amortised cost

| | | |
|---|------------------|----------------|
| Suppliers and other payables | 122,158 | 102,138 |
| Projects | 1,414,377 | 210,786 |
| Total Financial liabilities measured at amortised cost | 1,536,535 | 312,924 |

Total financial liabilities

| | |
|------------------|----------------|
| 1,536,535 | 312,924 |
|------------------|----------------|

Accounting policy

Financial assets

With the implementation of AASB 9 Financial Instruments for the first time in 2018-19, the entity classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- financial assets measured at amortised cost.

The classification depends on both the entity's business model for managing the financial assets and contractual cash flow characteristics at the time of initial recognition. Financial assets are recognised when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash and derecognised when the contractual rights to the cash flows from the financial asset expire or are transferred upon trade date.

Comparatives have not been restated on initial application.

Financial Assets at Amortised Cost

Financial assets included in this category need to meet two criteria:

- the financial asset is held in order to collect the contractual cash flows; and
- the cash flows are solely payments of principal and interest (SPPI) on the principal outstanding amount.

Amortised cost is determined using the effective interest method.

Effective Interest Method

Income is recognised on an effective interest rate basis for financial assets that are recognised at amortised cost.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period based on Expected Credit Losses, using the general approach which measures the loss allowance based on an amount equal to lifetime expected credit losses where risk has significantly increased, or an amount equal to 12-month expected credit losses if risk has not increased.

The simplified approach for trade, contract and lease receivables is used. This approach always measures the loss allowance as the amount equal to the lifetime expected credit losses.

A write-off constitutes a derecognition event where the write-off directly reduces the gross carrying amount of the financial asset.

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 Amortised Cost

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

| 2019-20 | 2018-19 |
|---------|---------|
| \$ | \$ |

Note 4.1B: Net gain or loss from financial assets

Financial assets at amortised cost

| | | |
|--|----------------|----------------|
| Interest revenue (Note 1.2A) | 302,329 | 544,651 |
| Net gains on financial assets at amortised cost | 302,329 | 544,651 |

There are no gains or losses on financial liabilities.

Note 4.2: Fair value measurement

Accounting policy

FRDC engaged Jones Lang LaSalle Public Sector Valuations (JLL) to conduct an asset revaluation of all non-financial assets as at 30 June 2020. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. Comprehensive valuations are carried out at least once every three years. JLL has provided written assurance to the FRDC that the models developed are in compliance with AASB 13.

The methods utilised to determine and substantiate the unobservable inputs are derived and evaluated as follows.

Physical depreciation and obsolescence - assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence that have been measured using the depreciated replacement cost approach. Under the depreciated replacement cost approach, the estimated cost to replace the asset is calculated and then adjusted to take into account physical depreciation and obsolescence. Physical depreciation and obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration. For all leasehold improvement assets, the consumed economic benefit / asset obsolescence deduction is determined based on the term of the associated lease.

FRDC's policy is to recognise transfers into, and transfers out of, fair value hierarchy levels as at the end of the reporting period.

Note 4.2A: Fair value measurement

| | | Fair value measurements at the end of the reporting period | |
|-----------------------------|-----------------------------------|--|---------------|
| | | 2019-20 | 2018-19 |
| | | \$ | \$ |
| Non-financial assets | | | |
| Leasehold improvements | | 111,450 | 47,060 |
| | Plant and equipment | 17,950 | 27,390 |
| | Total non-financial assets | 129,400 | 74,450 |

The FRDC did not measure any non-financial assets at fair value on a non-recurring basis as at 30 June 2020.

As at 30 June 2020, Jones Lang LaSalle Public Sector Valuations conducted a revaluation of plant and equipment. The table above summarises the results of the valuation at fair value. A revaluation increment was applied to the asset revaluation reserve by asset class and included in the equity section of the Statement of Financial Position. Refer Note: 2.2A.

Other information

| | | 2019-20 | 2018-19 |
|--|--------------------------|-------------------|-------------------|
| | | \$ | \$ |
| Note 5.1: Aggregate Assets and Liabilities | | | |
| Note 5.1A: Aggregate assets and liabilities | | | |
| Assets expected to be recovered in: | | | |
| | No more than 12 months | 28,731,788 | 29,391,006 |
| | More than 12 months | 1,564,928 | 765,876 |
| | Total assets | 30,296,716 | 30,156,882 |
| Liabilities expected to be settled in: | | | |
| | No more than 12 months | 2,385,205 | 1,415,981 |
| | More than 12 months | 766,041 | 70,149 |
| | Total liabilities | 3,151,246 | 1,486,130 |