

Company No.: ARBN 612834572

VGX LIMITED
(Incorporated in British Virgin Islands)
FINANCIAL STATEMENTS
30 JUNE 2023

Registered office
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West Perth WA 6005,
Australia.

Corporate office
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17, Jalan SS7/26,
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Malaysia.

Company No.: ARBN 612834572

VGX LIMITED

(Incorporated in British Virgin Islands)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
VGX LIMITED**

(Incorporated in British Virgin Islands)

HML PLT

LLP0004524-LCA & 201504000748
CHARTERED ACCOUNTANTS AF 002152
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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VGX LIMITED, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 7 to 41.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of intellectual property right

Refer to Note 3.4 and 3.5 (Significant Accounting Policies), Note 4.2 (Significant Accounting Judgements, Estimates and Assumptions) and Note 6 (Intangible asset).

The carrying values of intellectual property right of the Group and of the Company as at 30 June 2023 is A\$120,505 and A\$120,501 respectively.

The Group and the Company recorded continued losses for three consecutive years, which is an impairment indicator. An impairment assessment was performed by the management.

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The recoverable amount of the intellectual property right is determined based on value-in-use calculation.

No impairment was required as the recoverable amount of the intellectual property right was in excess of its carrying amount.

We focused on this area as the impairment assessment performed by the management requires significant judgement as the timing and quantum of the cash flows are dependent on sales volume growth rate, and margin.

Our audit procedures performed in this area included, amongst others:

- Assessed the reliability of the management's forecast through the review of past trends of actual financial performances against previous forecasted results;
- Checked the key assumptions used by the management in the value-in-use calculation on sales volume growth rate and margin by product comparing to business plans, historical results and market data;
- Performed sensitivity analysis on sales volume growth rates and discount rate to evaluate impact on the impairment assessment; and
- Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Going concern

Refer to Note 2.2 (Going Concern Assumption).

The Group and the Company recorded a net current liabilities of A\$485,177 and A\$515,104 respectively.

The Directors highlighted that there is significant judgements in preparation of the financial statements using going concern basis. The going concern of the Group and the Company is dependent upon the ongoing support of the Directors.

Our audit procedures performed in this area included, amongst others:

- We checked the management's cash flows forecast for the Group and the Company to the approved annual budget by the Directors;
- We discussed and challenged the management on key assumptions used in the cash flows forecasts including cash collection trends, payment profiles and significant transactions in relation to investing and financing activities;
- We have challenged the management on the appropriateness to prepare the financial statements on a going concern basis;
- We have obtained the letter of financial support from the Directors on their continued support to the Group and the Company; and
- We determined that adequate and appropriate disclosures are made in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA 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 these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 our 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 Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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- Conclude on the appropriateness of the Directors' 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 Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

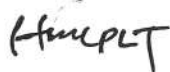
From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Other Matters

This report is made solely to the members of the Company, as a body and for no other purposes. We do not assume responsibility to any other person for the content of this report.

The engagement partner on the audit resulting in this independent auditors' report is Chang Siew Foong.



HML PLT
201504000748 (LLP0004524-LCA) & AF 002152
Chartered Accountants

Kuala Lumpur, Malaysia
12 September 2023

Company No.: ARBN 612834572

VGX LIMITED

(Incorporated in British Virgin Islands)

STATEMENT BY DIRECTORS

In the opinion of the Directors of VGX LIMITED, the financial statements set out on pages 7 to 41 are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2023 and of their financial performance and the cash flows for the year then ended.

Signed on behalf of the Board of Directors



ERIC CHUNG CHI KONG
Director



YAP POH YEE
Director

Kuala Lumpur, Malaysia
12 September 2023

VGX LIMITED*(Incorporated in British Virgin Islands)***STATEMENTS OF FINANCIAL POSITION****AS AT 30 JUNE 2023**

		Group		Company	
	Note	2023	2022	2023	2022
		A\$	A\$	A\$	A\$
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	780	1,576	-	-
Intangible asset	6	120,505	153,160	120,501	153,157
Investment in subsidiaries	7	-	-	158,725	161,391
Goodwill	8	69,972	71,147	-	-
		<u>191,257</u>	<u>225,883</u>	<u>279,226</u>	<u>314,548</u>
CURRENT ASSETS					
Inventories	9	4,839	14,267	-	-
Trade receivables		43,326	18,694	-	-
Other receivables, deposits and prepayments	10	385,915	384,007	-	-
Cash and bank balances		5,461	34,749	566	10,623
		<u>439,541</u>	<u>451,717</u>	<u>566</u>	<u>10,623</u>
TOTAL ASSETS		<u><u>630,798</u></u>	<u><u>677,600</u></u>	<u><u>279,792</u></u>	<u><u>325,171</u></u>
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	11	338,781	338,781	338,781	338,781
Accumulated losses		(650,201)	(530,276)	(586,635)	(513,901)
Foreign currency translation reserve	12	(584)	(6,184)	11,976	7,729
		<u>(312,004)</u>	<u>(197,679)</u>	<u>(235,878)</u>	<u>(167,391)</u>
Non-controlling interests		18,084	67,200	-	-
CAPITAL DEFICIENCY		<u><u>(293,920)</u></u>	<u><u>(130,479)</u></u>	<u><u>(235,878)</u></u>	<u><u>(167,391)</u></u>
NON-CURRENT LIABILITIES					
Finance lease payable	13	-	4,948	-	-

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

(Incorporated in British Virgin Islands)

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2023

		Group		Company	
	Note	2023	2022	2023	2022
		A\$	A\$	A\$	A\$
CURRENT LIABILITIES					
Trade payables		24,732	22,721	-	-
Other payables, accruals and advances received	14	105,412	105,239	51,010	43,801
Amount owing to Directors	15	789,708	669,455	12,795	10,869
Amount owing to subsidiary	16	-	-	451,865	437,892
Finance lease payable	13	4,866	5,716	-	-
		<u>924,718</u>	<u>803,131</u>	<u>515,670</u>	<u>492,562</u>
TOTAL LIABILITIES		<u>924,718</u>	<u>808,079</u>	<u>515,670</u>	<u>492,562</u>
TOTAL EQUITY AND LIABILITIES		<u>630,798</u>	<u>677,600</u>	<u>279,792</u>	<u>325,171</u>

The accompanying notes form an integral part of the financial statements.

VGX LIMITED*(Incorporated in British Virgin Islands)***STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

		Group		Company	
	Note	2023	2022	2023	2022
		A\$	A\$	A\$	A\$
Revenue	17	149,377	211,645	-	-
Cost of sales		<u>(51,874)</u>	<u>(77,383)</u>	<u>-</u>	<u>-</u>
Gross profit		97,503	134,262	-	-
Other operating income		8	20,586	-	-
Distribution expenses		(29,435)	(54,547)	-	-
Research and development expenses		(22,327)	(17,317)	-	-
Administration expenses		(182,263)	(182,601)	(41,982)	(57,426)
Other operating expenses		<u>(32,155)</u>	<u>(34,328)</u>	<u>(30,752)</u>	<u>(30,301)</u>
Loss from operations		(168,669)	(133,945)	(72,734)	(87,727)
Finance expenses		<u>(372)</u>	<u>(633)</u>	<u>-</u>	<u>-</u>
Loss before tax		(169,041)	(134,578)	(72,734)	(87,727)
Income tax expense	20	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the year		(169,041)	(134,578)	(72,734)	(87,727)
Other comprehensive loss					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		<u>5,600</u>	<u>(1,310)</u>	<u>4,247</u>	<u>(3,201)</u>
Total comprehensive loss for the year		<u>(163,441)</u>	<u>(135,888)</u>	<u>(68,487)</u>	<u>(90,928)</u>

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

(Incorporated in British Virgin Islands)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

		Group		Company	
		2023	2022	2023	2022
	Note	A\$	A\$	A\$	A\$
Loss attributable to:					
Owners of the parent		(119,925)	(110,683)	(72,734)	(87,727)
Non-controlling interests		<u>(49,116)</u>	<u>(23,895)</u>	<u>-</u>	<u>-</u>
		<u>(169,041)</u>	<u>(134,578)</u>	<u>(72,734)</u>	<u>(87,727)</u>
Loss per share:					
Basic - cents per share	21	<u>(0.23)</u>	<u>(0.21)</u>		
Total comprehensive loss attributable to:					
Owners of the parent		(117,181)	(111,993)	(68,487)	(90,928)
Non-controlling interests		<u>(46,260)</u>	<u>(23,895)</u>	<u>-</u>	<u>-</u>
		<u>(163,441)</u>	<u>(135,888)</u>	<u>(68,487)</u>	<u>(90,928)</u>

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023**

GROUP	Share capital A\$	Foreign currency translation reserves A\$	Accumulated losses A\$	Non - controlling interests A\$	Total A\$
As at 1 July 2021	338,781	(4,874)	(419,593)	91,095	5,409
Total comprehensive loss for the year	-	(1,310)	(110,683)	(23,895)	(135,888)
As at 30 June 2022	338,781	(6,184)	(530,276)	67,200	(130,479)
Total comprehensive loss for the year	-	5,600	(119,925)	(49,116)	(163,441)
As at 30 June 2023	<u>338,781</u>	<u>(584)</u>	<u>(650,201)</u>	<u>18,084</u>	<u>(293,920)</u>
COMPANY					
As at 1 July 2021	338,781	10,930	(426,174)	-	(76,463)
Total comprehensive loss for the year	-	(3,201)	(87,727)	-	(90,928)
As at 30 June 2022	338,781	7,729	(513,901)	-	(167,391)
Total comprehensive loss for the year	-	4,247	(72,734)	-	(68,487)
As at 30 June 2023	<u>338,781</u>	<u>11,976</u>	<u>(586,635)</u>	<u>-</u>	<u>(235,878)</u>

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

(Incorporated in British Virgin Islands)

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before tax	(169,041)	(134,578)	(72,734)	(87,727)
Adjustments for:				
Amortisation of intangible asset	30,752	30,301	30,752	30,301
Depreciation of property, plant and equipment	1,403	4,070	-	-
Gain on disposal of property, plant and equipment	-	(17,268)	-	-
Interest expenses	372	633	-	-
Operating loss before working capital changes	(136,514)	(116,842)	(41,982)	(57,426)
Decrease/(Increase) in inventories	9,428	(6,172)	-	-
(Increase)/Decrease in trade receivables	(24,632)	1,310	-	-
Increase in other receivables, deposits and prepayments	(1,908)	(18,950)	-	-
Increase/(Decrease) in trade payables	2,011	(12,888)	-	-
Increase in other payables, accruals and advances received	173	23,232	7,209	14,548
Increase in amount owing to Directors	120,253	155,218	1,926	10,869
Increase in amount owing to subsidiary	-	-	13,973	55,276
Cash (used in)/generated from operations	(31,189)	24,908	(18,874)	23,267
Interest paid	(372)	(633)	-	-
Net cash (used in)/generated from operating activities	(31,561)	24,275	(18,874)	23,267
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property, plant and equipment	-	17,268	-	-
Purchase of property, plant and equipment	(604)	(777)	-	-
Net cash (used in)/from investing activities	(604)	16,491	-	-

The accompanying notes form an integral part of the financial statements.

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**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023**

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
CASH FLOWS FROM FINANCING ACTIVITY				
Repayment of finance lease payable	(5,798)	(4,987)	-	-
Net cash used in financing activity	(5,798)	(4,987)	-	-
Net (decrease)/increase in cash and cash equivalents	(37,963)	35,779	(18,874)	23,267
Cash and cash equivalents at beginning of the year	34,749	7,354	10,623	67
Effect of exchange rate changes on cash and cash equivalents	8,675	(8,384)	8,817	(12,711)
Cash and cash equivalents at end of the year	5,461	34,749	566	10,623
Cash and cash equivalents comprise:				
Cash and bank balances	5,461	34,749	566	10,623

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

(Incorporated in British Virgin Islands)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

1 GENERAL CORPORATE INFORMATION AND NATURE OF OPERATION

VGX Limited is a company limited by shares incorporated and domiciled in British Virgin Islands and listed on the National Stock Exchange of Australia, with its registered office in Australia located at Level 1, Office F, 1139 Hay Street, West Perth WA 6005, Australia.

The Company is an investment holding company and it holds 49% of the issued share capital of Virgin Greens X Sdn. Bhd., a Malaysia *BioNexus Status* company which carries on business of research, development and commercialisation of food and agriculture related technologies. *BioNexus Status* is a special status awarded by the Malaysian government to qualified international and Malaysian biotechnology companies that participate in and undertake value-added biotechnology activities.

The subsidiary, Virgin Greens X Sdn. Bhd. holds 100% equity interest in MG AgriWorks Sdn. Bhd., a Malaysian company which engage in application of biotechnology in agriculture with its business activities covering production and distribution of sustainable products for plant nutrition, growth and protection.

There have been no significant changes in the nature of these activities during the year.

2 BASIS OF PREPARATION

2.1 BASIS OF MEASUREMENT, FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements have been prepared on a historical cost basis.

The financial statements have been prepared based on the currency of the primary economic environment in which the entity operates (i.e., its functional currency). The functional currency of the Company and its subsidiary are Ringgit Malaysia ("RM"), while the presentation currency of the Group and of the Company are Australian Dollars ("A\$"). All financial information is presented in Australian Dollars, unless otherwise stated.

2.2 GOING CONCERN ASSUMPTION

The Directors assessed and concluded that it is appropriate to prepare this set of financial statements on a going concern basis. As at 30 June 2023, the Group and the Company have recorded a net current liabilities of A\$485,177 and A\$515,104 respectively (2022: A\$351,414 and A\$481,939), there is no reason for the Directors to believe that there is any significant uncertainty on the ability of the Group to continue as a going concern because the Directors have undertaken to provide appropriate financial support to the Group to enable it to meet its obligations as and when they fall due.

2.3 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (“IASB”).

ADOPTION OF NEW AND AMENDED STANDARDS

During the year, the Group have adopted all the amendments to IFRS that are mandatory for the current year. The adoption of the amendments to IFRS did not have any significant impact on the financial statements of the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Group did not adopt an earlier application of the following new and revised IFRSs which have been issued by the IASB but are not yet effective for current year ended 30 June 2023.

IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 2023:

- Amendment to IFRS 16, Lease Liability in a Sale and Leaseback
- IFRS 17, Insurance Contracts
- Amendments to IFRS 17, Insurance Contracts
- Amendments to IFRS 17, Initial Application of IFRS 17 and IFRS 9, Comparative Information
- Amendments to IAS 1, Classification of Liabilities as Current or Non-current
- Amendments to IAS 1, Non-current Liabilities with Covenants
- Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies
- Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements
- Amendments to IAS 8, Definition of Accounting Estimates
- Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 12, International Tax Reform – Pillar Two Model Rules

IFRSs, IFRIC and amendments effective for annual periods beginning on or after a date yet to be confirmed:

- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

The Group will adopt the above IFRSs in the respective financial years when they become effective. The initial application of the above-mentioned IFRSs are not expected to have any significant impacts on the financial statements of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION

i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in statements of comprehensive income as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in statements of comprehensive income.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in statements of comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and recognised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in statements of comprehensive income. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy of recognition and measurement of impairment losses is in accordance with Note 3.4.

ii) Change In Ownership Interests In Subsidiaries Without Change Of Control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii) Disposal Of Subsidiaries

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in statements of comprehensive income. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

iv) Goodwill On Consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (ie. A bargain purchase), the gain is recognised in statements of comprehensive income.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying amount may be impaired. The policy of recognition and measurement of impairment losses is in accordance with Note 3.4.

3.2 FOREIGN CURRENCY TRANSLATION

i) Foreign Currency Transaction And Balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency differences arising on retranslation are recognised in statements of comprehensive income, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

ii) Foreign Operations

The results and financial position of operations that have a functional currency different from the presentation currency ("A\$") ("Foreign Operation") are translated into A\$ as follows:

- (a) Assets and liabilities for each statements of financial position presented are translated at the closing rate prevailing at the reporting date;
- (b) Income and expenses for each income statement are translated at the exchange rate at the date of the transactions or an average rate that approximates those rates; and
- (c) All resulting exchange differences are taken to the FCTR within other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, translated at the closing rate at the reporting date.

If the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to statements of comprehensive income as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

3.3 PROPERTY, PLANT AND EQUIPMENT

i) Recognition And Measurement

Property, plant and equipment are measured at costs less any accumulated depreciation and any accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The costs of self-constructed assets also include the costs of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in statements of comprehensive income.

ii) Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to statements of comprehensive income. The costs of the day-to-day servicing of property, plant and equipment are recognised in statements of comprehensive income as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in statements of comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. The estimated useful lives, as follows:

	<u>Rate</u>
Computer	33%
Lab equipment	20%
Motor vehicles	20%
Office equipment	20%

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted where appropriate.

3.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group and the Company review the carrying amounts of their assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in the statements of comprehensive income, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairments loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statements of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.5 INTANGIBLE ASSETS

Intangible assets are recognised when it is probable that expected future economic benefits that are attributable to the assets will flow to the Group and the Company, the cost or value of the assets can be measured reliably and the assets do not result from expenditure incurred internally on an intangible item.

Intangible assets acquired separately are measured at cost initially. Subsequently, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Intellectual property rights are amortised on a straight-line method over the estimated useful lives of 10 years. The amortisation period and method are reviewed if there is an indication of a significant change in factors affecting the residual value, useful life or asset consumption pattern since the last annual reporting date.

3.6 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.7 FINANCIAL INSTRUMENTS

i) Initial Recognition And Measurement

The Group recognised a financial asset or a financial liability (including derivative instruments) in the statements of financial position when, and only when, an entity in the Group becomes a party to the contractual provisions of the instrument.

If a contract, whether financial or non-financial, contains an embedded derivative, the Group assesses whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group becomes a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group does not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial asset out of the fair value through profit or loss category.

On initial recognition, all financial assets and financial liabilities (including government loans at below market interest rates) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to statements of comprehensive income when incurred.

ii) Derecognition Of Financial Instruments

For derecognition purposes, the Group first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Group acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

iii) Subsequent Measurement Of Financial Assets And Financial Liabilities

For the purpose of subsequent measurement, financial assets and financial liabilities are measured as follows:

- (a)*** financial assets at amortised cost using the effective interest method; and

(b) financial liabilities at amortised cost using the effective interest method.

iv) ***Recognition Of Gains And Losses***

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in statements of comprehensive income only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

v) ***Impairment And Uncollectibility Of Financial Assets***

The Group applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Group examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidence of trigger loss events include:

- (a) significant difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payment;
- (c) granting exceptional concession to a customer;
- (d) it is probable that a customer will enter bankruptcy or other financial recognise on;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at its original effective interest rate. Any impairment loss is recognised in statements of comprehensive income and a corresponding amount is recorded in an allowance account. Any subsequent reversal of impairment loss of the financial asset is reversed in statements of comprehensive income with a corresponding adjustment to the allowance account, subject to the limit that the reversal should not result in the revised carrying amount of the financial asset exceeding the amount that would have been determined had no impairment loss been recognised previously.

For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is any indication of impairment. Individually significant receivables for which no impairment loss is recognised are grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Group's experience of loss ratio in each class, taking into consideration current market conditions.

3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value.

3.9 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND DISTRIBUTIONS

The Group and the Company classify and presents an issued financial instrument (or its component parts), on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

i) Share Capital

Ordinary shares and non-redeemable preference shares issued that carry no mandatory contractual obligation:

- (a) to deliver cash or another financial asset; or
- (b) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group and the Company, are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a public offering or in a rights issue to existing shareholders, they are recorded at the issue price.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from equity.

ii) Compound Financial Instruments

The Group and the Company evaluate the terms of an issued financial instrument to determine whether it contains both a liability and an equity component. The proceeds of a convertible bond or other compound instruments are allocated to the liability component measured at fair value, using the discounted cash flow method, and balance to the equity component. Transaction costs are allocated pro rata based on the relative carrying amounts. Any tax effect arising from temporary differences of the liability component is charged or credited to the equity component.

iii) Distributions

The Group and the Company establish a distribution policy whereby cash dividends can only be paid out of retained profits.

Distributions to holders of an equity instrument are debited directly in equity, net of any related income tax benefit.

A dividend declared is recognised as a liability only after it has been appropriately recognised, which is the date when the Management declares an interim dividend, or in the case of a proposed final dividend, the date the shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders.

3.10 PROVISIONS

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group and the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11 LEASES

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the lease asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to statements of comprehensive income. Contingent rent, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statements of comprehensive income on a straight-line basis over the lease term. The aggregated benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed

3.12 REVENUE AND OTHER INCOME RECOGNITION

i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

- a) the customer simultaneously receives and consumes the benefits provided as the Group performs;
- b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- c) The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

ii) Rental income

Rental income are recognised on an accrual basis in accordance with the substance of the relevant agreement.

3.13 EMPLOYMENT BENEFITS

i) Short-Term Employment Benefits

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

Profit-sharing and bonus plans are recognised when the Group and the Company have a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Group and the Company have no realistic alternative but to make the payments.

ii) Defined Contribution Plan

Contributions to the statutory pension scheme are recognised as an expense in statements of comprehensive income in the year to which they relate.

3.14 INCOME TAX

A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current tax asset.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- i) the initial recognition of goodwill; or
- ii) the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for depreciation allowances for tax purposes.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affect neither accounting profit nor tax taxable profit (or tax losses).

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Current and deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expense in statements of comprehensive income for the period, except to the extent that the tax arises from items recognised outside statements of comprehensive income. For an income or expense item recognised in other comprehensive income, the current or deferred tax expense or tax income is recognised in other comprehensive income. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.15 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.16 CONTINGENT LIABILITIES

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.17 FAIR VALUE MEASUREMENT

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are recognised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- | | |
|----------|--|
| Level 1: | quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. |
| Level 2: | inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. |
| Level 3: | unobservable inputs for the asset or liability. |

The Group recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

4.1 IMPAIRMENT OF LOANS AND RECEIVABLES

The Group and the Company recognised impairment losses for receivables using the expected credit losses model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial position and results.

4.2 IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSET

The Group assesses whether there are any indicators of impairment of goodwill and intangible assets at each reporting date. Goodwill is tested for impairment annually and at any other time when such indicators exist. Intangible assets are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment losses. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 8. The carrying amount of intangible asset is disclosed in Note 6.

4.3 INVENTORIES

Inventories are stated at the lower of cost and net realisable value (NRV). NRV for finished goods is assessed with reference to existing prices at the reporting date less the estimated direct cost necessary to make the sale, which represent the Group's and the Company's best estimation of the value recoverable through sale.

4.4 MEASUREMENT OF INCOME TAXES

Significant judgement is required in determining the Group's and the Company's provision for current and deferred taxes. When the final outcome of the taxes payable is determined with the tax authorities, the amount might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will adjust for the differences as over or under provision of current or deferred taxes in the current period in which those differences arise.

5 PROPERTY, PLANT AND EQUIPMENT**Group**

	As at 1 July 2022	Additions	Disposals	Exchange difference	As at 30 June 2023
	A\$	A\$	A\$	A\$	A\$
<u>Cost</u>					
Computer	5,411	-	-	(90)	5,321
Lab equipment	15,454	-	-	(255)	15,199
Motor vehicle	38,756	-	-	(641)	38,115
Office equipment	1,907	604	-	(31)	2,480
	<u>61,528</u>	<u>604</u>	<u>-</u>	<u>(1,017)</u>	<u>61,115</u>

	As at 1 July 2022	Charges for the year	Disposals	Exchange difference	As at 30 June 2023
	A\$	A\$	A\$	A\$	A\$
<u>Accumulated Depreciation</u>					
Computer	4,890	260	-	(86)	5,064
Lab equipment	14,536	921	-	(259)	15,198
Motor vehicle	38,755	-	-	(641)	38,114
Office equipment	1,771	222	-	(34)	1,959
	<u>59,952</u>	<u>1,403</u>	<u>-</u>	<u>(1,020)</u>	<u>60,335</u>

	2023	2022
	A\$	A\$
<u>Carrying Amounts</u>		
Computer	257	521
Lab equipment	1	918
Motor vehicle	1	1
Office equipment	<u>521</u>	<u>136</u>
	<u>780</u>	<u>1,576</u>

The carrying amounts of the property, plant and equipment under finance lease of the Group is as follows:

	Group	
	2023	2022
	A\$	A\$
Motor vehicles	<u>1</u>	<u>1</u>

6 INTANGIBLE ASSET

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
<u>Intellectual property rights</u>				
<u>Cost</u>				
At beginning of the year	306,317	302,627	306,314	302,624
Exchange difference	(5,060)	3,690	(5,061)	3,690
At end of the year	<u>301,257</u>	<u>306,317</u>	<u>301,253</u>	<u>306,314</u>
<u>Accumulated amortisation</u>				
At beginning of the year	153,157	124,075	153,157	124,075
Amortisation charges for the year	30,752	30,301	30,752	30,301
Exchange difference	(3,157)	(1,219)	(3,157)	(1,219)
At end of the year	<u>180,752</u>	<u>153,157</u>	<u>180,752</u>	<u>153,157</u>
Carrying amounts	<u><u>120,505</u></u>	<u><u>153,160</u></u>	<u><u>120,501</u></u>	<u><u>153,157</u></u>

7 INVESTMENT IN SUBSIDIARIES

	Company	
	2023	2022
	A\$	A\$
Unquoted shares – At cost		
At beginning of the year	161,391	156,790
Exchange difference	(2,666)	4,601
At end of the year	<u><u>158,725</u></u>	<u><u>161,391</u></u>

Details of the Company's subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest (%)		Principal activities
		2023	2022	
Virgin Greens X Sdn. Bhd.**	Malaysia	49%*	49%*	Research, development and commercialisation of food and agriculture related technologies with its business activities covering microbial product and biological process development, manufacturing and marketing of its proprietary solutions designed for the food and agriculture sector.

Name of subsidiaries	Country of incorporation	Equity interest (%)		Principal activities
		2023	2022	
<u>Subsidiary of Virgin Greens X Sdn. Bhd.</u>				
MG Agriworks Sdn. Bhd.**	Malaysia	100%	100%	Engage in application of biotechnology in agriculture with its business activities covering production and distribution of sustainable products for plant nutrition, growth and protection.

* The Company has the entire voting power of Virgin Greens X Sdn. Bhd. through a Block Voting Agreement.

** The financial statements of the companies are audited by HML PLT.

8 GOODWILL

	Group	
	2023 A\$	2022 A\$
At beginning of the year	71,147	69,119
Exchange difference	(1,175)	2,028
At end of the year	<u>69,972</u>	<u>71,147</u>

The carrying amount of goodwill arising from the acquisition of Virgin Greens X Sdn. Bhd (i.e. Cash Generating Units (“CGU”)) was tested for impairment using the value in use (“VIU”) method.

Based on the impairment assessment performed by the Group, no impairment is required for the goodwill.

The recoverable amount of the CGU in respect of the goodwill was determined based on VIU calculations. Cash flow projections used in these calculations were based on financial budgets approved by the management covering a five (5) years period (financial years 2024 to 2028).

Key assumptions used in the VIU calculations for the goodwill impairment assessment are as follows:

	2023	2022
Gross margin	70%	61%
Discount rate (pre-tax)	<u>7%</u>	<u>7%</u>

9 INVENTORIES

	Group	
	2023	2022
	A\$	A\$
At cost:		
Biotech products (finished goods)	820	5,493
Packaging material	4,019	8,774
	<u>4,839</u>	<u>14,267</u>
Inventories recognised as cost of sales in statement of comprehensive income	<u>51,874</u>	<u>77,383</u>

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2023	2022
	A\$	A\$
Other receivables	381,635	381,087
Deposits	2,025	774
Prepayments	2,255	2,146
	<u>385,915</u>	<u>384,007</u>

Included in other receivables of the Group is an amount of A\$381,600 (2022: A\$381,050) owing by a company controlled by two Directors of the Company. This amount is unsecured, interest-free and repayable on demand.

11 SHARE CAPITAL

	Group		Company	
Issued and Paid-up:	2023	2022	2023	2022
Number of ordinary shares(units)				
At beginning/end of the year	<u>52,343,270</u>	<u>52,343,270</u>	<u>52,343,270</u>	<u>52,343,270</u>
(A\$)				
At beginning/end of the year	<u>338,781</u>	<u>338,781</u>	<u>338,781</u>	<u>338,781</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company.

12 FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Group and foreign operations with different functional currencies from that of the Group's presentation currency.

13 FINANCE LEASE PAYABLE

	Group	
	2023	2022
	A\$	A\$
Minimum lease payments		
- within 1 year	4,967	6,087
- more than 1 year but not later than 5 years	-	5,051
	<u>4,967</u>	<u>11,138</u>
Less: Future finance charges	<u>(101)</u>	<u>(474)</u>
	<u><u>4,866</u></u>	<u><u>10,664</u></u>
Total principal sums payable		
- within 1 year	4,866	5,716
- more than 1 year but not later than 5 years	-	4,948
	<u><u>4,866</u></u>	<u><u>10,664</u></u>

The Group obtains finance lease facilities to finance acquisition of certain motor vehicles. The average remaining lease term is 1 year as at 30 June 2023. Implicit interest rates of the finance lease range from 2.66% (2022: 2.66%) are fixed at the date of the agreements, and the amount of lease payments are fixed throughout the lease period. The Group has the option to purchase the assets at the end of the agreement with minimum purchase considerations. There is no significant restriction clauses imposed on the hire purchase arrangements.

Reconciliation of movements of liabilities to cash flows arising from financing activity

	At 1 July	Net changes from	At 30 June
	2022	financing cash flows	2023
	A\$	A\$	A\$
Group			
Finance lease payable	<u>10,664</u>	<u>(5,798)</u>	<u>4,866</u>

14 OTHER PAYABLES, ACCRUALS AND ADVANCES RECEIVED

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
Other payables	100,430	93,139	48,419	41,166
Accruals	4,982	5,270	2,591	2,635
Advances received	<u>-</u>	<u>6,830</u>	<u>-</u>	<u>-</u>
	<u><u>105,412</u></u>	<u><u>105,239</u></u>	<u><u>51,010</u></u>	<u><u>43,801</u></u>

Included in other payables of the Group and the Company is an amount of A\$5,003 (2022: A\$1,550) and A\$3,479 (2022: A\$244) owing to a company controlled by two Directors of the Company respectively. This amount is unsecured, interest-free and repayable on demand.

15 AMOUNT OWING TO DIRECTORS

This amount is unsecured, interest-free and repayable on demand.

16 AMOUNT OWING TO SUBSIDIARY

This is non-trade amount which is unsecured, interest-free and repayable on demand.

17 REVENUE

	Group	
	2023	2022
	A\$	A\$
Revenue from contract with customers		
BioTech – based products	<u>149,377</u>	<u>211,645</u>
Geographical market		
Malaysia	<u>149,377</u>	<u>211,645</u>
Timing of revenue recognition		
At a point of time	<u>149,377</u>	<u>211,645</u>

18 REMUNERATION OF AUDITORS

During the financial year the following fees were paid or payable for services provided by HML PLT, the auditor of the Group and of the Company:

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
Audit of the financial statements	<u>7,275</u>	<u>5,214</u>	<u>3,968</u>	<u>2,607</u>

19 KEY MANAGEMENT PERSONNEL DISCLOSURES

The aggregate compensation made to directors and other members of key management personnel of the Group and of the Company are set out below:

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
Directors' fee	4,960	1,629	4,960	1,629
Directors' remuneration	73,472	66,862	8,644	7,866
Remuneration for others	<u>52,678</u>	<u>49,374</u>	<u>-</u>	<u>-</u>

20 INCOME TAX EXPENSE

No provision has been made for tax of the Company as it is registered in the British Virgin Islands and is exempted from tax. Income tax for the Group's Malaysia operations has been provided at the rate of 24% on the estimated assessable profit derived from Malaysia.

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
Loss before tax	(169,041)	(134,578)	(72,734)	(87,727)
At Malaysian tax rate 24%	(40,570)	(32,299)	(17,456)	(21,054)
Tax effect of expenses not deductible for tax purposes	7,130	6,691	5,843	6,233
Income not subject to tax	-	(4,144)	-	-
Tax exempted loss	11,613	14,821	11,613	14,821
Deferred tax asset not recognised during the year	21,827	14,931	-	-
Tax charge	-	-	-	-

The Group disclosed the corporate income tax rate applicable in the jurisdiction in which the principal subsidiary domiciled which is in Malaysia.

Pursuant to Section 8 of the Finance Act 2021 (Act 833) the amendment to Section 44 (5F) of Income Tax 1967, a time limit has been imposed on the unutilised business loss, to be carried forward for a maximum of ten consecutive years. This amendment is deemed to have effect for the year of assessment 2019 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another ten years consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

The unused tax losses are available for offset against future taxable profits of the Group and of the Company up to the following years:

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
Unutilised tax losses to be carried forward until:				
- Year of assessment 2028	80,957	80,957	-	-
- Year of assessment 2029	44,878	44,878	-	-
- Year of assessment 2030	23,047	23,047	-	-
- Year of assessment 2031	4,133	4,133	-	-
- Year of assessment 2032	37,239	37,239	-	-
- Year of assessment 2033	90,948	-	-	-

21 LOSS PER ORDINARY SHARE

21.1 BASIC EARNINGS PER ORDINARY SHARE

The basic loss per ordinary share is calculated by dividing the Group's loss attributable to owners of the Company of A\$119,925 (2022: A\$110,683) by the weighted average number of ordinary shares outstanding of 52,343,270 (2022: 52,343,270).

21.2 DILUTED EARNING PER ORDINARY SHARE

The diluted loss per ordinary share is the same as the basic loss per ordinary share of the Group, as the Group has no dilutive potential ordinary shares during the current and prior financial years.

22 OPERATING SEGMENT

Segmental reporting is not presented as the Group is principally engaged in research, development and commercialisation of food and agriculture related technologies, which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

23 RELATED PARTY DISCLOSURES

23.1 IDENTIFYING RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors of the Company.

23.2 SIGNIFICANT RELATED PARTY TRANSACTION

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Notes 10, 14, 15 and 16, the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2023	2022	2023	2022
	A\$	A\$	A\$	A\$
Net advances from Directors	120,253	155,218	1,926	10,869
Net advances from a company controlled by two Directors of the Company	2,903	(6,978)	3,235	-
Net advances from subsidiary	-	-	13,973	55,276

23.3 COMPENSATION OF KEY MANAGEMENT PERSONNEL

Compensation of key management personnel is Directors' remuneration which is disclosed in Note 19.

24 FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

	2023 A\$	2022 A\$
Group		
Financial Assets		
At amortised cost		
Trade receivables	43,326	18,694
Other receivables and deposits	383,660	381,861
Cash and bank balances	5,461	34,749
	<u>432,447</u>	<u>435,304</u>
Financial Liabilities		
At amortised cost		
Trade payables	(24,732)	(22,721)
Other payables and accruals	(105,412)	(98,409)
Amount owing to Directors	(789,708)	(669,455)
Finance lease payables	(4,866)	(10,664)
	<u>(924,718)</u>	<u>(801,249)</u>
Company		
Financial Assets		
At amortised cost		
Bank balances	566	10,623
Financial Liabilities		
At amortised cost		
Other payables and accruals	(51,010)	(43,801)
Amount owing to Directors	(12,795)	(10,869)
Amount owing to subsidiary	(451,865)	(437,892)
	<u>(515,670)</u>	<u>(492,562)</u>

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk

25.1 CREDIT RISK

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, advances to related parties and deposits with licensed bank.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statements of financial position at the reporting date represent the Group's and the Company's maximum exposure to credit risk in relation to financial assets.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	2023 A\$	2022 A\$
Not past due	23,772	642
Past due more than 120 days	19,554	18,052
	<u>43,326</u>	<u>18,694</u>

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Company.

As at 30 June 2023, trade receivables of A\$19,554 (2022: A\$18,052) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

25.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and finance lease payables.

The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest):

	Carrying amount A\$	Contractual cash flows A\$	Within 1 year A\$	1 year to 5 years A\$
Group				
2023				
Financial liabilities				
Trade payables	24,732	24,732	24,732	-
Other payables and accruals	105,412	105,412	105,412	-
Amount owing to Directors	789,708	789,708	789,708	-
Finance lease payables	4,866	4,967	4,967	-
	<u>924,718</u>	<u>924,819</u>	<u>924,819</u>	<u>-</u>
	Carrying amount A\$	Contractual cash flows A\$	Within 1 year A\$	1 year to 5 years A\$
2022				
Financial liabilities				
Trade payables	22,721	22,721	22,721	-
Other payables, accruals and advances received	105,239	105,239	105,239	-
Amount owing to Directors	669,455	669,455	669,455	-
Finance lease payables	10,664	11,138	6,087	5,051
	<u>808,079</u>	<u>808,553</u>	<u>803,502</u>	<u>5,051</u>

	Carrying amount A\$	Contractual cash flows A\$	Within 1 year A\$	1 year to 5 years A\$
Company				
2023				
Financial liabilities				
Other payables and accruals	51,010	51,010	51,010	-
Amount owing to Directors	12,795	12,795	12,795	-
Amount owing to subsidiary	451,865	451,865	451,865	-
	<u>515,670</u>	<u>515,670</u>	<u>515,670</u>	<u>-</u>
2022				
Financial liabilities				
Other payables and accruals	43,801	43,801	43,801	-
Amount owing to Directors	10,869	10,869	10,869	-
Amount owing to subsidiary	437,892	437,892	437,892	-
	<u>492,562</u>	<u>492,562</u>	<u>492,562</u>	<u>-</u>

25.3 INTEREST RATE RISK

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2023 A\$	2022 A\$
Fixed rate instruments		
<i>Financial liability</i>		
Finance lease payables	<u>(4,866)</u>	<u>(10,664)</u>

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in market interest rates at the end of the reporting period would not affect statement of comprehensive income.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of receivables and payables, cash and cash equivalents and financial lease payables approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

27 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital using a debt-to-equity ratio. The Group's policy is to maintain a prudent level of debt-to-equity ratio. The debt-to-equity ratio at end of the reporting period are as follows:

	Group	
	2023	2022
	A\$	A\$
Total loans and borrowings	4,866	10,664
Less: Cash and bank balances	<u>(5,461)</u>	<u>(34,749)</u>
Net cash	<u>(595)</u>	<u>(24,085)</u>
Total equity	<u>(293,920)</u>	<u>(130,479)</u>
Debt-to-equity ratio	<u>N/A</u>	<u>N/A</u>

There were no changes in the Group's approach to capital management during the financial year.

28 SIGNIFICANT EVENTS DURING THE YEAR

On 6 January 2023, the Selling Shareholders terminated the Share Sale agreement entered on 31 December 2021 as a result of the Purchaser's failure to fulfill their condition precedent by 31 December 2022.

29 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 12 September 2023.