

LAUNCHVIC LIMITED

ABN: 176 1128 1737

**Financial Report For The Year Ended
30 June 2019**

LaunchVic Limited

ABN: 176 1128 1737

Financial Report For The Year Ended 30 June 2019

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LAUNCHVIC LIMITED
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DIRECTORS' REPORT

Your directors present this report on the company for the financial year ended 30 June 2019.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Current Directors

Laura Anderson	appointed 1/10/2017
Anne Bennett	appointed 1/12/2016
Timothy Fawcett	appointed 11/03/2016
Constantine Frantzeskos	appointed 11/03/2016
Catriona Lamitt	appointed 1/12/2016

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

Mr Shane Morris was appointed Company Secretary on 27 October 2016 and remains in this role as at the date of this report.

Purpose and Objectives of LaunchVic

The Victorian Government established LaunchVic to be the State's lead entrepreneur and support agency, and set a focus for 2016 - 2019 on:

- Fostering a thriving entrepreneurial culture and entrepreneurial economy;
- Strengthening Victoria's entrepreneurial culture and capabilities; and
- Supporting innovative entrepreneurial firms to grow and contribute to the growth in the economy and employment in Victoria.

Financial Performance

LaunchVic Limited ("LaunchVic") incurred a loss of \$1,577,317 in 2018 / 2019 (2018: Profit of \$10,046,079). LaunchVic received income of \$17,018,577 in 2018 / 2019 (including various grants of \$16,469,156) and has expended \$18,595,894 comprising Project Activities of approximately \$16.06 million and operational expenditure of approximately \$2.53 million during the 2018 / 2019 year. In 2017 / 2018 LaunchVic generated total income of \$19,846,874 and incurred expenditure of \$9,800,795.

Government refunding of LaunchVic Limited for 2019 / 2020

In delivering its 2019 / 2020 budget May 2019, the State Government of Victoria announced further funding would be provided to LaunchVic relating to the 2019 / 2020 financial year in order to allow LaunchVic to continue its work supporting local startups and to attract world-class innovation and investment projects that grow jobs and productivity across the state.

Operational Highlights

Over the reporting period, LaunchVic has continued to invest in operational infrastructure to support the successful delivery of LaunchVic's objectives. LaunchVic supported 144 companies and new entrants in 2018/2019. In addition, LaunchVic has supported 3,389 entrepreneurs to upskill through short-form programs such as hackathons, workshops, masterclasses, and short mentoring programs over the reporting period. New investor education programs to build investors' capability and excellence also commenced and supported 45 investors during the period.

Project Activities supported previously continue to gain momentum, and new activities have been initiated that support the growth **LaunchVic Activities**

A focus of LaunchVic's activities is to invest in third parties that in turn support the growth of the startup ecosystem. LaunchVic achieves this through grant rounds. Activities supported through LaunchVic's initial grant rounds continue to gain momentum.

In July 2018 LaunchVic announced the grants relating to the Round 4 recipient's. This program saw \$7 million allocated to build Capability and Excellence and Leverage Key Strengths through funding of three organisations – TechStars, SBE Australia and Skalata Ventures – to deliver world-class accelerator programs.

Round 6 saw \$2.4 million contracted to support local councils to boost regional and outer-metropolitan startup communities by improving access and participation in the startup ecosystem across Victoria. This funding is supporting 15 projects across 26 local government areas.

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LaunchVic's Round 7 of grants, saw \$1.37 million announced to strengthen entrepreneurship and startup activity amongst Aboriginal Victorians. Diversity and Inclusion in the ecosystem will be enhanced by the investment in four organisations to deliver new and existing entrepreneurial programs to improve access and participation in the Victorian startup ecosystem for Aboriginal Victorians.

The sum of \$4.8 million was contracted across seven projects for Round 8 programs. This grant round focused on leveraging Victoria's key strengths in the health startup sector. Through this round, LaunchVic is funding organisations to deliver accelerator and education programs that will further drive Victoria's strengths and help position the State as a leading health startup hub in the Asia-Pacific region.

Round 9 grants focused on building the Capability and Excellence of resident startups in Victorian coworking spaces through Entrepreneur-in-Residence (EIR) programs. 14 co-working spaces benefitted from a \$382,400 investment to support EIRs.

LaunchVic has supported and has continued to activate the Victorian Innovation Hub at The Goods Shed in partnership with Stone & Chalk.

LaunchVic requested proposals from selected high-performing grant recipients in October 2018 via a closed Expression of Interest to further drive the growth of the Victorian startup ecosystem. Seven applications were selected and contracted in June 2019. The investment for refunding totalled \$2.98 million.

A grant from the Department of Premier and Cabinet (DPC) totalling \$500,000 was matched with \$2 million from LaunchVic to deliver the CivVic Labs Accelerator, which was officially launched in the reporting period. The CivVic Labs Accelerator connects Victorian startups to State Government procurement opportunities.

A digital hub for Victoria's ecosystem was developed and the Minimum Viable Product (MVP) was launched. The Laneways Digital Hub lists Victorian startups, investors, courses, events, accelerator programs and workspaces and provides online tools and resources for the startup community.

LaunchVic encouraged participation in Melbourne's scaleup job boom by delivering the Scale Up Your Career Campaign that reached thousands of people across Victoria.

A significant program of work over the reporting period was undertaken to support the Lapsing Program Evaluation, including compilation of various data sets. LaunchVic understands that the Lapsing Program Evaluation Report was provided to DEDJTR in December 2018 and provided a positive report on LaunchVic and its activities.

Research Initiatives

LaunchVic has continued to commission and deliver important research to strategically grow the ecosystem. Within the period this included the release of the second annual Victorian startup Ecosystem Mapping Report. The report drew on data collected from over 2,700 Victorian startups and scaleups and provides the strongest view of the opportunities and challenges facing the state's startup sector. The report found that the Victorian startup sector is growing at 23% per annum. One in five startups are focused on health and wellbeing which continues to be a core strength of the ecosystem. Diversity within the ecosystem is improving, with one in three founders identifying as female – a 3% improvement from 2017.

Events and Communications

In addition, LaunchVic has run a number of key events during the reporting period. The company again delivered its annual Yeah Nah Summit which was held on 24 August 2018 as part of the Digital Innovation Festival and was attended by over 200 people. LaunchVic also delivered the Thrive Conference, aimed at local councils, co-working and innovation hubs in metropolitan, regional and rural Victoria. The conference helped provide a deeper understanding of entrepreneurship and how to harness startup activity in smaller communities. Held in Geelong in December, over 130 delegates from across the state attended this conference and over 33 Victorian Councils were represented.

Events After the Reporting Period

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

Prior to the end of the financial year, the State Government of Victoria had announced a further appropriation to fund LaunchVic for the 2019 / 2020 financial year. On 17 September 2019, The Hon Mr Martin Pakula, Minister Jobs Innovation and Trade confirmed a funding offer of \$9,818,042 (excl. GST) to fund LaunchVic Limited's core operations and project activities over 2019 - 20. LaunchVic Limited has accepted this funding offer and the Department of Jobs, Precincts and Regions has provided a Deed to vary the current funding agreement. The financial terms of the Deed are in line with the letter from Minister Pakula dated 17 September 2019. At the date of the report LaunchVic Limited has executed the variation Deed and is now awaiting the Department's execution.

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DIRECTORS' REPORT

Information on Directors

Laura Anderson	—	Chair of the Board. Director, Member Audit, Finance & Risk Sub-Committee
Experience	—	Ms Anderson is an international Company Director and Chairman of SVI Global Pty Ltd, OneGlobalVenture Pty Ltd and Foundation for the Advancement of Science and Technology.
	—	Ms Anderson has worked extensively across governments and industries locally and globally as a senior advisor on global governance, strategy transformation and risk optimisation. Ms Anderson's professional speciality has been in harnessing the power of big data and its effects on global supply chains, industry structures, infrastructure development and societal transformation
		Ms Anderson is on the Board of the Epworth Healthcare, Defence Science Institute, the National Basketball League, Defence Council Victoria and a Director of several private investment companies. During the reporting period Ms Anderson was also on the Board of the Australian Grand Prix Corporation.
		Ms Anderson is honoured as a Fellow of the Chartered Institute of Transport for her contributions to industry and was appointed as a Governor of the American Chamber of Commerce.
		Laura was also honoured as both an Ambassador of International Women's Day on its 100th Anniversary and as an Australia Day Ambassador.
Qualifications	—	Bachelor's Degree in Applied Mathematics and English – SMU
Anne Bennett	—	Director, Member Grants & Funding Sub-Committee
Experience	—	Anne is the Chief Digital Officer at AMP and has over 20 years' experience in financial services organisations leading digital and corporate transformations.
Qualifications	—	Bachelor of Economics (University of Sydney), Masters in Commerce and Technology (Macquarie University), MAICD, MAIPM.
Timothy Fawcett	—	Director, Chair and Member Audit, Finance & Risk Sub-Committee
Experience	—	Mr Fawcett is the Head of Government Affairs for Cisco Systems Australia and New Zealand and a member of the Cisco ANZ senior leadership team. He is a Director of Diversity Council Australia where he Chairs the Information Technology board committee and during the reporting period was Vice Chair of the University of Melbourne's Melbourne Networked Society Institute.
Qualifications	—	Bachelor of Arts (Latrobe University) and a Masters in Public Policy and Economics (ANU)
Constantine Frantzeskos	—	Director, Member Audit, Finance & Risk Sub-Committee
Experience	—	Mr Frantzeskos is the founder of PENSO, a technology enabled marketing business. The firm has offices in Australia, Silicon Valley and the UAE. Con is also founder of startups MillionEyes, a crowdsourced visual analytics platform, and Conformly, a revolutionary cloud-based home for brand, marketing and sales guidelines. Mr Frantzeskos is also Australian Presenting Partner of The Future Laboratory, one of the world's most renowned futures and foresights consultancies.
Qualifications	—	Bachelor of Economics (Monash) Graduate Diploma in Applied Finance and Investment (Finsia)

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Catriona Larritt	—	Director. Chair and member, Grants & Funding Sub-Committee
Experience	—	Ms Larritt is currently the Chief Customer Officer at Jetstar Airways. Catriona was previously a divisional General Manager of the Spotless Group and the General Manager of Australia Post Digital. Prior to her role at Australia Post, Ms Larritt was a Principal at the Boston Consulting Group.
Qualifications	—	Bachelor of Arts (University of Melbourne) MBA (Harvard University)

Meetings of Directors

During the financial year, four meetings of directors were held. Attendances by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Laura Anderson	4	4
Anne Bennett	4	2
Timothy Fawcett	4	4
Constantine Frantzeskos	4	4
Catriona Larritt	4	4

In addition to the above, during the 2018 /2019 year the Directors considered and unanimously agreed to six circular resolutions.

The entity is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the entity. At 30 June 2019 the number of members was 1, (being the Treasurer, State Government, Victoria).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 5 of the financial report.

This directors' report is signed in accordance with a resolution of the Board of Directors.



Timothy Fawcett

Director, Chair and Member Audit, Finance & Risk Sub-Committee



Laura Anderson

Chair of the Board, Director, Member Audit, Finance & Risk Sub-Committee

Dated this 23rd day of September 2019

Auditor-General's Independence Declaration

To the Directors, LaunchVic Limited

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.

Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for LaunchVic Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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



MELBOURNE
20 September 2019

Simone Bohan
as delegate for the Auditor-General of Victoria

LAUNCHVIC LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR
ENDED 30 JUNE 2019

	Note	2019	2018
		\$	\$
Revenue	2	16,991,786	19,821,874
Other income	2	26,791	25,000
Program Costs	3	(16,063,912)	(7,377,982)
Employee Benefits Expense	3	(1,772,283)	(1,342,691)
Audit, Accounting and legal fees		(69,510)	(143,621)
Consultants		(78,774)	(96,233)
Administration, Communications and Marketing expenses		(424,822)	(576,398)
Contractors		(171,645)	(253,213)
Depreciation and amortisation expense	3	(14,948)	(10,657)
Surplus before income tax		(1,577,317)	10,046,079
Income tax expense	1(i)	-	-
Net surplus (deficit)		(1,577,317)	10,046,079
Total comprehensive income for the year		(1,577,317)	10,046,079

The accompanying notes form part of these financial statements.

LAUNCHVIC LIMITED
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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019	2018
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	23,629,685	23,978,470
Accounts receivable and other debtors	5	447,316	221,399
TOTAL CURRENT ASSETS		<u>24,077,001</u>	<u>24,199,869</u>
Property, plant and equipment	6	22,101	35,414
TOTAL NON-CURRENT ASSETS		<u>22,101</u>	<u>35,414</u>
TOTAL ASSETS		<u>24,099,102</u>	<u>24,235,283</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and other payables	7	2,209,806	791,050
Employee provisions	8	89,580	67,200
TOTAL CURRENT LIABILITIES		<u>2,299,386</u>	<u>858,250</u>
TOTAL LIABILITIES		<u>2,299,386</u>	<u>858,250</u>
NET ASSETS		<u>21,799,716</u>	<u>23,377,033</u>
EQUITY			
Retained surplus		21,799,716	23,377,033
TOTAL EQUITY		<u>21,799,716</u>	<u>23,377,033</u>

The accompanying notes form part of these financial statements.

LAUNCHVIC LIMITED
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Retained Surplus \$
Balance at 1 July 2017	13,330,954
Net Surplus	10,046,079
Balance at 30 June 2018	<u>23,377,033</u>
Balance at 30 June 2018	23,377,033
Net Deficit	(1,577,317)
Balance at 30 June 2019	<u><u>21,799,716</u></u>

The accompanying notes form part of these financial statements.

LAUNCHVIC LIMITED
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
State government grants		18,116,072	21,525,166
Payments for program activities		(16,570,302)	(8,062,999)
Payments to suppliers and employees		(2,444,471)	(3,846,241)
Interest received		522,630	213,541
Receipts from other income		28,921	27,500
Net Cash generated from operating activities	14	<u>(347,150)</u>	<u>9,856,967</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		<u>(1,635)</u>	<u>(24,066)</u>
Net cash used in investing activities		<u>(1,635)</u>	<u>(24,066)</u>
Net increase in cash held		(348,785)	9,832,901
Cash on hand at beginning of the financial year		23,978,470	14,145,569
Cash on hand at end of the financial year	4	<u><u>23,629,685</u></u>	<u><u>23,978,470</u></u>

The accompanying notes form part of these financial statements.

LAUNCHVIC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 1 Summary of Significant Accounting Policies

LaunchVic Limited ("the Company") is the Victorian Government Agency responsible for supporting the growth of Victoria's startup ecosystem through driving programs and projects that empower entrepreneurs to scale innovative companies and deliver new industry benefits to the Australian economy.

The financial statements were authorised for issue on 23rd September 2019 by the Directors of LaunchVic Limited.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and the Corporations Regulations 2001. LaunchVic Limited is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

(a) Revenue

Non-reciprocal grant revenue is recognised in profit or loss when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

LaunchVic Limited receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax.

(b) Program Costs

These expenses are related to payments made and / or accrued to funding recipients for grants and specific costs related to program activities.

Costs are recognized in the profit and loss when the grant is paid and when it is probable that the grant will be paid. Costs are accrued at year end to represent work undertaken by the grant recipient up until the end of the financial year where there is sufficient certainty that the grant conditions will subsequently be fully met.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and any impairment losses.

Plant and Equipment

Plant and equipment are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of impairment is made when impairment indicators are present (refer to Note 1(f) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. All plant and equipment is depreciated at a rate of 33% per annum. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(d) Financial Instruments

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. From 1 July 2018, LaunchVic Limited applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the company to collect the contractual cash flows; and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

LaunchVic Limited recognises cash and deposits, receivables (excluding statutory receivables) and term deposits following this method.

Categories of financial assets previously under AASB 139

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). LaunchVic Limited recognises the following assets in this category.

Cash and deposits, receivables and term deposits were recognised in this category.

Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method.

LaunchVic Limited recognises payables (excluding statutory payables) in this category.

Derecognition

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement

Impairment

The entity recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost or fair value through other comprehensive income. Loss allowance is not recognised for financial assets measured at fair value through profit or loss.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument. The entity used the simplified approach to impairment and the low credit risk operational simplification approach, as applicable under AASB 9.

Recognition of expected credit losses in financial statements

At each reporting date, the entity recognised the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income. The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(e) New and Amended Accounting Policies Adopted by the Entity

Initial application of AASB 9: Financial Instruments

The entity has adopted AASB 9: Financial Instruments with a date of initial application of 1 January 2018. As a result, the entity has changed its financial instruments accounting policies as detailed in the significant accounting policies note.

(f) Impairment of Assets

At the end of each reporting period, the entity assesses whether there is any indication that an asset may be impaired. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Employee Benefits

Provision is made for LaunchVic Limited's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

LaunchVic Limited's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

(h) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less.

(i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(j) Income Tax

No provision for income tax has been raised as the entity is exempt from income tax under 24AM of the *Income Tax Assessment Act 1997*.

(k) Accounts receivable and other debtors

Accounts receivable and other debtors include amounts receivable in respect of GST refunds. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(d) for further discussion on the determination of impairment losses.

(l) Provisions

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of reporting period.

(m) Comparative Figures

When required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(n) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by LaunchVic Limited during the reporting period that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(o) Critical Accounting Estimates and Judgements

Key Estimates

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within LaunchVic Limited.

Key Judgements

Other Payables - accruals at year end

LaunchVic Limited contracts with various parties to undertake activities on behalf of LaunchVic. These arrangements are documented in formal contractual arrangements whereby recipients undertake services and in return LaunchVic is obliged to make payments on the completion of various milestones. At year end, LaunchVic has undertaken an analysis of contracts and determined an approximation of the amount of accrued costs for work undertaken under the contract from the previous contract milestone date until 30 June 2019 having regard to various factors including the actual contract, the relevant milestone, the likelihood that the milestone payment will be ultimately made.

Employee benefits

AASB 119: Employee Benefits defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting. LaunchVic Limited expects that most employees will use all of their annual leave entitlements in the same year in which they are earned or during the 12 month period.

(p) Economic Dependence

LaunchVic Limited is dependent on the Department of Jobs Precincts and Regions ("The Department") and the Department of Economic Development, Jobs Transport and Resources (the predecessor Department) for the majority of its revenue used to operate the business. Prior to the end of the financial year, the State Government of Victoria had announced a further appropriation to fund LaunchVic for the 2019 / 2020 financial year. On 17 September 2019, The Hon Mr Martin Pakula, Minister for Jobs, Innovation and Trade confirmed a funding offer of \$9,818,042 (excl. GST) to fund LaunchVic Limited's core operations and project activities over 2019 - 20. LaunchVic Limited has accepted this funding offer and the Department has provided a Deed to vary the current funding agreement. The financial terms of the Deed are in line with the letter from Minister Pakula dated 17 September 2019. At the date of this report, LaunchVic Limited has executed the variation Deed and is now awaiting the Department's execution. At the date of this report the Board of Directors have no reason to believe the Department will not continue to support LaunchVic Limited.

(q) Fair Value of Assets and Liabilities

LaunchVic Limited measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

"Fair value" is the price LaunchVic Limited would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

(r) Contributions by owners

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of LaunchVic Limited.

(s) Foreign currency balances / transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period. Non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined. Foreign currency translation differences are recognised in other economic flows in the consolidated comprehensive operating statement and accumulated in a separate component of equity, in the period in which they arise.

LAUNCHVIC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

(t) New and amended Accounting Standards

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 January 2019 for Not-for-Profit Entities, as deferred by AASB 2016-7: Amendments to Australian Accounting Standards).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business.

The core principle of the Standard is that an entity will recognise 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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

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

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Based on a preliminary assessment, the effects of AASB 15 are not expected to have a material effect on LaunchVic Limited. AASB 15 will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. LaunchVic Limited intends to adopt these standards in 2019-20 financial year when it becomes effective.

Based on an initial assessment, the directors do not anticipate that the adoption of AASB 15 will have a material impact on LaunchVic Limited's financial statements.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The significant accounting requirements of AASB 16 are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented in accordance with AASB 108 (subject to certain practical expedients); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. For this purpose, a completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004: Contributions.

The effective date is for annual reporting periods beginning on or after 1 January 2019. LaunchVic Limited intends to adopt AASB 16 in 2019-20 financial year when it becomes effective.

Based on an initial assessment, the directors do not anticipate that the adoption of AASB 16 will have a material impact on LaunchVic Limited's financial statements.

LAUNCHVIC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

AASB 1058: Income of Not-for-Profit Entities (applicable to annual reporting periods beginning on or after 1 January 2019).

This Standard is applicable to transactions that do not arise from enforceable contracts with customers involving performance obligations.

The significant accounting requirements of AASB 1058 are as follows:

- Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue, should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.
- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to profit or loss as income when the entity satisfies its obligations under the transfer.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented in accordance with AASB 108 (subject to certain practical expedients); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application.

AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. LaunchVic Limited intends to adopt these standards in 2019-20 financial year when it becomes effective.

Based on an initial assessment, the directors do not anticipate that the adoption of AASB 1058 will have a material impact on LaunchVic Limited's financial statements.

Note 2 Revenue and Other Income

	2019 \$	2018 \$
Revenue		
Revenue from (non-reciprocal) government grants and other grants		
— State Government grants – Program Costs	14,082,032	16,734,333
— State Government grants - Operating costs	<u>2,387,124</u>	<u>2,834,000</u>
	<u>16,469,156</u>	<u>19,568,333</u>
Other revenue		
— Interest received on investments in government and fixed interest securities	<u>522,630</u>	<u>253,541</u>
	<u>522,630</u>	<u>253,541</u>
Total revenue	<u>16,991,786</u>	<u>19,821,874</u>
Other income		
— Rental and sundry income	<u>26,791</u>	<u>25,000</u>
Total other income	<u>26,791</u>	<u>25,000</u>
Total revenue and other income	<u>17,018,577</u>	<u>19,846,874</u>

Note 3 Surplus for the year

	\$	\$
(a) Expenses		
Employee benefits expense:		
— Salary and Wages.	1,541,249	1,170,521
— Workcover	9,576	7,820
— Payroll Tax	80,710	58,648
— Superannuation	<u>140,748</u>	<u>105,702</u>
Total employee benefits expense	<u>1,772,283</u>	<u>1,342,691</u>
Depreciation and amortisation:		
— plant and equipment	<u>14,948</u>	<u>10,657</u>
Total depreciation and amortisation	<u>14,948</u>	<u>10,657</u>
Program Costs	<u>16,063,912</u>	<u>7,377,982</u>
Audit fees		
— audit services	<u>19,500</u>	<u>16,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 4 Cash and Cash Equivalents

	2019 \$	2019 \$
CURRENT		
Cash at bank	<u>23,629,685</u>	<u>23,978,470</u>
	<u>23,629,685</u>	<u>23,978,470</u>

Note 5 Trade and Other Receivables

	\$	\$
CURRENT		
Trade Receivables	550	-
Accrued interest	49,963	40,000
Other Receivables	<u>396,803</u>	<u>181,399</u>
Total current accounts receivable and other debtors	<u>447,316</u>	<u>221,399</u>

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component. As described in Note 1(d), LaunchVic Limited recognises a loss allowance for expected credit losses on receivables that are measured at amortised cost. Expected credit losses are probability weighted estimates based on the general approach, whereby an assessment of individual debtors is made at year end to determine the likelihood of loss having regard to all the circumstances. There was no doubtful debts provision at year end or any movement in the provision over the reporting period. The average credit period on accounts receivable is 30 days. Other receivables relate to refunds due by the Australian Taxation Office in regards to GST. These amounts have substantially been received after balance date.

Note 6 Property, Plant and Equipment

	2019 \$	2018 \$
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	52,960	51,325
Less accumulated depreciation	<u>(30,859)</u>	<u>(15,911)</u>
Total plant and equipment	<u>22,101</u>	<u>35,414</u>

Movements in Carrying Amounts

Movement in the Carrying Amounts for each class of plant and equipment between the beginning and the end of the financial year:

	2019 Plant \$	2018 Plant \$
Balance at the beginning of the year	35,414	22,005
Additions at cost	1,635	24,066
Depreciation expense	<u>(14,948)</u>	<u>(10,657)</u>
Carrying Amount at the end of the year	<u>22,101</u>	<u>35,414</u>

Note 7 Trade and Other Payables

	2019 \$	2018 \$
CURRENT		
Accounts payable	1,706,255	279,872
Other Current Payables	447,400	460,861
GST Payable	<u>56,151</u>	<u>50,317</u>
	<u>2,209,806</u>	<u>791,050</u>
	7(a)	
(a) Financial liabilities at amortised cost classified as accounts payable and other payables		
Accounts payable and other payables:		
— Total current	7(a) 2,209,806	791,050
— Less Other payables (net amount of GST payable)	<u>(503,651)</u>	<u>(511,178)</u>
Financial liabilities as accounts payable and other payab	15 <u>1,706,255</u>	<u>279,872</u>

The average credit period on accounts payable and other payables (excluding GST payable) is one month. No interest is payable on outstanding payables during this period. For payables outstanding longer than one months, 0% per annum is payable.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 8 Provisions

	2019	2018
CURRENT	\$	\$
Provision for employee benefits: annual leave	89,580	67,200
	<u>89,580</u>	<u>67,200</u>
Analysis of total provisions:		
Opening balance at 30 June 2018	67,200	9,339
Additional provisions raised during the year	140,113	97,550
Amounts used	<u>(117,733)</u>	<u>(39,689)</u>
Balance at 30 June 2019	<u>89,580</u>	<u>67,200</u>

Employee Provisions

Employee provisions represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, LaunchVic Limited expects that most of the annual leave or long service leave balances classified as current liabilities will be settled within the next 12 months, although a portion may not be paid within twelve months. However, these amounts are all classified as current liabilities since LaunchVic Limited does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

Note 9 Grant and Other Commitments

(a) Grant and other Commitments

	2019	2018
Payable – minimum payments:	\$	\$
— not later than 12 months	13,389,630	10,900,601
— between 12 months and five years	<u>7,087,349</u>	<u>5,851,769</u>
	<u>20,476,979</u>	<u>16,752,370</u>

The above relates to contracts entered into by LaunchVic Limited with various recipients. The amounts are the gross payments expected to be paid to grant recipients under the contracts, having regard to any variations, and terminations since 30 June 2019.

(b) Operating Lease Commitments

LaunchVic Limited has not entered into any finance or operating leases as at 30 June 2019.

Note 10 Contingent Liabilities and Contingent Assets

LaunchVic Limited has no contingent assets or liabilities at 30 June 2019.

Note 11 Events After the Reporting Period

Other than the following, the directors are not aware of any significant events since the end of the reporting period.

Prior to the end of the financial year, the State Government of Victoria had announced a further appropriation to fund LaunchVic for the 2019 / 2020 financial year. On 17 September 2019, The Hon Mr Martin Pakula, Minister for Jobs, Innovation and Trade confirmed a funding offer of \$9,818,042 (excl. GST) to fund LaunchVic Limited's core operations and project activities over 2019 - 20. LaunchVic Limited has accepted this funding offer and the Department has provided a Deed to vary the current funding agreement. The financial terms of the Deed are in line with the letter from Minister Pakula dated 17 September 2019. At the date of this report, LaunchVic Limited has executed the variation Deed and is now awaiting the Department's execution.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 12 Responsible Officers

The name of each person holding the position of director of LaunchVic Limited during the financial year are:

	Appointment Period
Current Directors:	
Ms L Anderson	1/7/2018 to 30/6/2019
Mr T Fawcett	1/7/2018 to 30/6/2019
Mr C Frantzeskos	1/7/2018 to 30/6/2019
Ms A Bennett	1/7/2018 to 30/6/2019
Ms C Larritt	1/7/2018 to 30/6/2019

Director Remuneration

No Director was entitled to remuneration to perform their duties as a Director of LaunchVic Limited. Directors were reimbursed reasonable out of pocket expenses including taxi and other sundry costs. No Director was an executive of LaunchVic Limited during the reporting period.

No Director has entered into a contract with LaunchVic Limited since the end of the previous financial year and there were no contracts involving directors' interests subsisting at year end. No Director beneficially holds, or has previously beneficially held shares in LaunchVic Limited.

Executive Remuneration and Key Management Personnel

The Hon Mr Martin Pakula, Minister for Jobs, Innovation and Trade is the Responsible Portfolio Minister. He held this position for the period 29/11/2018 to 30/6/2019. The Hon Mr Philip Dalidakis was the Responsible Portfolio Minister from 1 July 2018 to 28 November 2018.

The compensation for the responsible Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 and is reported within the Department of Parliamentary Services' Financial report.

The persons who held the position of Accountable Officer and Key Management Personnel in LaunchVic Limited are as follows:

Dr. Kate Cornick	Chief Executive Officer	1 July 2018 to 30 June 2019
------------------	-------------------------	-----------------------------

Remuneration received or receivable by the Accountable Officer and Company executives in connection with the management of LaunchVic Limited during the reporting period are detailed below. The totals of remuneration paid to KMP of LaunchVic Limited during the year are as follows:

	2019 \$	2018 \$
KMP compensation:		
— short-term employee benefits	282,689	273,973
— post-employment benefits	23,311	26,027
	<u>306,000</u>	<u>300,000</u>

Dr Cornick was Key Management Personnel for the full 2019 and 2018 financial years.

Note 13 Other Related Party Transactions

LaunchVic Limited is wholly and beneficially owned by the State of Victoria. As such all State Government Departments are considered to be related parties.

For the year ended 30 June, 2019 the Victorian Government Department of Jobs Precincts and Regions (the Department") (along with the Department of Economic Development, Jobs Transport and Resources (the predecessor Department) provided funding of \$15,914,156 under its funding arrangements (see note 1(p)) and an additional specific 'Victorian Aboriginal Business Strategy' grant of \$225,000 plus GST).

During the period the Department provided staff, resources and office, meeting and events accommodation to LaunchVic Limited at no cost. The value of these services has not been included in the financial statements as it is inherently difficult to determine a market value of the goods and services provided. In addition the Department is a supplier of minor services including catering and meeting room support to LaunchVic Limited during the year. These services were provided on a normal commercial basis.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

During the financial year LaunchVic Limited signed an agreement with the Department of Health and Human Services to undertake a program of activity. LaunchVic Limited was provided a grant of \$80,000 to assist in funding this activity. During the current financial year \$80,000 has been received and is recorded as revenue.

During the financial year LaunchVic Limited signed an agreement with the Department of Premier and Cabinet to undertake a CivVic Accelerator Program and was provided a grant of \$500,000 by the Department of Premier and Cabinet to assist in funding this activity. During the current financial year \$250,000 has been received and is recorded as revenue with the balance of \$250,000 due in 2019 / 2020 year once specific program milestones are met.

Details of the Directors' remuneration and retirement benefits along with Key Management Personnel Compensation are set out in Note 12. Other than where set out in Note 12, there were no transactions of a financial nature between LaunchVic Limited and its Directors during the reporting period.

There were no other transactions between related parties. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

Note 14 Cash Flow Information

	2019 \$	2018 \$
Reconciliation of net results for the period to cashflow from operating activity		
Net surplus (deficit)	(1,577,317)	10,046,079
Non-cash flows:		
Depreciation and amortisation expense	14,948	10,657
Movements in assets and liabilities:		
(Increase)/decrease in accounts receivable and other debtors	(215,908)	207,746
(Increase) in accrued interest	(9,983)	(40,000)
Increase/(decrease) in accounts payable and other payables	1,418,730	(425,376)
Increase/(decrease) in employee provisions	22,380	57,861
	<u>(347,150)</u>	<u>9,856,967</u>

Note 15 Financial Risk Management

LaunchVic's accounting policy for financial assets and liabilities are set out in note 1(d). The following table summarises the required and elected reclassification upon adoption of AASB9, the main effects resulting from the reclassifications required at the adoption of AASB 9 and the financial instruments held at 30 June 2019 broken down by categories:

		AASB 9	AASB 139 Measurement Categories	AASB 9
		Amortised cost \$	Loans and Receivables \$	Amortised cost \$
	Note	30-Jun-19	30-Jun-18	30-Jun-18
Financial assets				
Cash and cash equivalents	4	23,629,685	23,978,470	23,978,470
Trade Receivables	5	550	-	-
Accrued Interest	5	49,963	40,000	40,000
Total financial assets		<u>23,680,198</u>	<u>24,018,470</u>	<u>24,018,470</u>
Financial liabilities				
Financial liabilities at amortised cost:				
— accounts payable and other payables	7	1,706,255	279,872	279,872
Total financial liabilities		<u>1,706,255</u>	<u>279,872</u>	<u>279,872</u>

Financial Risk Management Policies

The Audit, Finance and Risk sub-committee is responsible for monitoring and managing LaunchVic Limited's compliance with its risk management strategy and consists of Board members. The Audit, Finance and Risk sub-committee's overall risk management strategy is to assist LaunchVic Limited in meeting its financial targets while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the finance committee on a regular basis.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Specific Financial Risk Exposures and Management

The main risks LaunchVic Limited is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and other price risk. There have been no substantive changes in the types of risks LaunchVic Limited is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to LaunchVic Limited.

LaunchVic Limited does not have any material credit risk exposures as its major source of revenue is the receipt of grants. Credit risk is further mitigated as grants received from State Governments are in accordance with funding agreements which ensure regular funding.

Credit Risk Exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Accounts receivable and other debtors that are neither past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed at Note 5.

LaunchVic Limited has no significant concentrations of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of accounts receivable and other debtors are provided in Note 5.

Credit risk related to balances with banks and other financial institutions is managed by the finance committee in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	2019 \$	2018 \$
Cash and cash equivalents			
— AA Rated		23,629,685	23,978,470
	4	23,629,685	23,978,470

(b) Liquidity risk

Liquidity risk arises from the possibility that LaunchVic Limited might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. LaunchVic Limited manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operating, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

(c) Market Risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. LaunchVic Limited is also exposed to earnings volatility on floating rate instruments.

The financial instruments that expose LaunchVic Limited to interest rate risk are limited to fixed interest securities and cash on hand.

LAUNCHVIC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Sensitivity Analysis

The following table illustrates sensitivities to LaunchVic Limited's exposures to changes in interest rates and equity prices. The table indicates the impact of how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Year ended 30 June 2019	Deficit \$	Equity \$
+/- 2.5% in interest rates	654,000	654,000
	Surplus	Equity
Year ended 30 June 2018	\$	\$
+/- 2.5% in interest rates	633,000	633,000

No sensitivity analysis has been performed on foreign exchange risk as LaunchVic Limited has no material exposures to currency risk.

Note 16 Fair Value Measurements

Fair value requires judgement and the use of assumptions. This section sets out information on how LaunchVic Limited determined fair value for financial reporting purposes.

LaunchVic Limited holds a range of financial instruments that are recorded in the financial statements where the carrying value amounts approximate to fair value, due to the short term nature or with expectation that they will be paid in full by the end of the 2018-2019 reporting period. The table below sets out the financial assets and liabilities recorded in the financial statements where the carrying amount approximates the fair value. There are no financial assets for which the carrying amount exceeds the net fair value.

	Note	2019 \$	2018 \$
Recurring fair value measurements			
<i>Financial assets</i>			
Cash on Hand	4	23,629,685	23,978,470
Trade Receivables	5	550	0
Accrued Interest	5	49,963	40,000
		<u>23,680,198</u>	<u>24,018,470</u>
<i>Financial Liabilities</i>			
Accounts payable	7	<u>1,706,255</u>	<u>279,872</u>
		<u>1,706,255</u>	<u>279,872</u>

Note 17 Government Grant Acquittal

LaunchVic Limited derives its major revenue streams from various government grants and this revenue is provided to advance specific programs as set out below.

Year Ended 30 June 2019	Project Activities		Operational	
	Revenue	Costs	Costs	Surplus
	2019	2019	2019	2019
	\$	\$	\$	\$
Department of Jobs Precincts and Regions Funding	15,914,156	(14,929,793)	(2,531,982)	(1,547,619)
Victorian Aboriginal Strategy Grant	225,000	(679,000)	-	(454,000)
Department Premier and Cabinet Funding (CivVic)	250,000	(455,119)	-	(205,119)
Department of Health and Human Services Funding	80,000	-	-	80,000
Interest and other income	549,421	-	-	549,421
	<u>17,018,577</u>	<u>(16,063,912)</u>	<u>(2,531,982)</u>	<u>(1,577,317)</u>

LAUNCHVIC LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Note 17 Government Grant Acquittal

Year ended 30 June 2018	Project Activities		Operations	Surplus
	Revenue	Costs	Costs	
	\$	\$	\$	\$
Department of Jobs Precincts and Regions Funding	18,893,333	(7,377,982)	(2,422,813)	9,092,538
Victorian Aboriginal Strategy Grant	675,000	-	-	675,000
Interest and other income	278,541	-	-	278,541
	<u>19,846,874</u>	<u>(7,377,982)</u>	<u>(2,422,813)</u>	<u>10,046,079</u>

As set out in Note 9, prior to 30 June 2019 LaunchVic Limited has contracted and committed with various parties to undertake future activities. The amounts set up out above exclude future contracted commitments.

Note 18 Entity Details

The registered office of the entity is:

Level 35
121 Exhibition Street
Melbourne, Vic, 3000

The principal place of business is:

Victorian Innovation Hub
710 Collins Street, Docklands, Victoria, 3008

Note 19 Members' Guarantee

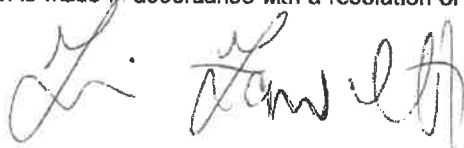
The entity is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$10 towards meeting any outstanding obligations of the entity. At 30 June 2019 the number of members was 1, (being the Treasurer, State Government, Victoria).

LAUNCHVIC LIMITED
ABN: 176 1128 1737
DIRECTORS' DECLARATION

1. The Directors of LaunchVic Limited ("the Company") declare that:

- (a) the financial statements and the notes to the financial statement as set out on pages 6 to 22 are in the Directors opinion in accordance with Section 295(4) of the Corporations Act 2001, including
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of the Company's performance for the year ended; and
 - (ii) Compliance with Australian Accounting Standards and Corporations Regulations 2001 and other mandatory professional reporting requirements.
- (b) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Timothy Fawcett

Director. Chair and Member Audit, Finance and Risk Committee.



Laura Anderson

Chair of The Board. Member Audit, Finance and Risk Committee.

Dated this 23rd day of September 2019