Agriculture Victoria Services Pty Ltd

Annual Report 2013

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Dr CL Noble (Chairman)
Ms KH Adams
Mr A Christianen
Dr B Kefford
Dr JM Slocombe
Mr PRE Turvey

Chief Executive Officer

Mr BG Lang

Company Secretary/ Chief Financial Officer

Mrs MR Jeal

Auditors

Auditor General Victoria
Level 24, 35 Collins Street
Melbourne Vic 3000

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Treasury Corporation Victoria
Level 12, 1 Collins Street
Melbourne Vic 3001

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499 St Kilda Road
Melbourne Vic 3004

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Company Profile

History

Agriculture Victoria Services Pty Ltd (AVS) was established by the Victorian Government in 1986 to provide a commercial interface between what was then known as the Department of Agriculture and Rural Affairs and private industry.

Today, AVS is widely recognised by its customers and stakeholders as the entity responsible for the protection and commercialisation of new technologies generated by the research and development divisions of the Department of Environment and Primary Industries (DEPI) Agriculture Productivity Group.

Purpose and strategic priorities

AVS contributes to improvements in the productivity and competitiveness of Victoria's and Australia's farming sector through its role in supporting (a) the successful transfer of DEPI technologies to the private sector; and (b) DEPI access to new technologies and investments that complement and enhance its research and development.

The aspirations of AVS are expressed through its two strategic objectives, namely to:

- deliver core services that enable DEPI to maximise the impact of its intellectual property and manage the associated risks
- deliver 'value adding' services that enhance the innovation pipeline.

The following 'enablers' support AVS in the achievement of its objectives:

- systems and processes that are efficient and effective
- capabilities and resources that are responsive to service delivery needs
- stakeholder relationships that are actively managed.

What we do

AVS provides an important link between the activities of DEPI's research and development divisions and the private sector. Through the following activities the Company seeks to make a valuable contribution to the Victorian Government's economic and strategic objectives:

- the protection and management of intellectual property generated from projects conducted by DEPI's research and development divisions
- the exploitation of intellectual property in areas where it is appropriate to seek a commercial return and the broader industry and economic benefits to Victoria have been identified
- the provision of a legal entity through which commercial contract research and development projects, joint-venture arrangements and collaborations are negotiated
- the investment of Company funds to maximise value capture and accelerate the delivery of DEPI's technologies to the marketplace.

Key relationships

AVS is a self-funded entity relying on service fees and investment income to fund its operations and ensure the Company's ongoing viability. As such, the establishment and maintenance of strong relationships with stakeholders are critical to the Company's success. AVS stakeholders include:

- Government of Victoria
- Minister for Agriculture and Food Security
- DEPI
- customers
- collaborators and joint-venture partners
- co-investors and joint intellectual property equity holders
- contractors and suppliers.

Chairman's Review

It is my pleasure to present the 27th annual report for Agriculture Victoria Services Pty Ltd. The year in review has been a successful one for AVS, underlining the importance of its role in protecting the Department of Environment and Primary Industries intellectual property and facilitating the transfer of these technologies to the private sector for subsequent application by farmers. AVS continues to manage its finances prudently and has achieved a sound financial outcome for the 2013 year.

The innovation pipeline is global and international collaborations are increasingly important in ensuring that the best technologies are made available to Victorian and Australian primary industries. Technical and financial synergies derived from major research and development collaborations with the private sector are strategically important to DEPI, and AVS's role in the formation of these collaborations has become a growing part of its business in recent years. To this end it was pleasing to build on the strong relationship already established with Dow AgroSciences through a new sponsored research and development agreement designed to generate improved canola varieties with enhanced performance characteristics.

The year also saw growth in AVS's intellectual property portfolio as DEPI research generated new technologies. The company's licensing activities in 2013 included the granting of rights to private sector entities for the development and commercial release of a range of new plant varieties. Barley growers in Australia are benefiting from the release of the first-ever herbicide-tolerant barley, Scope, which was developed by DEPI researchers in the Biosciences Research Division under funding provided by the AVS Investment Fund. A licence with BASF Plant Sciences enabling Scope to be integrated into its Clearfield® production system is expected to further enhance opportunities for farmers to benefit from this new barley variety.

Particularly gratifying was the receipt in 2013 of a Sir Rupert Hamer Award from the Public Records Office. AVS received this competitive award, which recognises excellence and innovation in records management, for implementation of its new Technology Transfer Management System. The achievement of this award is a credit to the Company's management and staff.

A continued and major focus for AVS has been the strengthening of its relationship with DEPI stakeholders. Throughout 2013 AVS has worked closely with DEPI's research divisions to ensure strategic alignment and facilitate the co-development of commercialisation strategies designed to maximise the impact of technologies that are currently in the intellectual property development pipeline.

After almost 16 years as a director of AVS, and eight as chairman, Dr Bruce Kefford has resigned from the Board. Bruce's contribution during this time has been significant: his early role in refocusing the Company's activities and guiding the development of its strategy, followed by his mentoring of new directors and maintenance of important linkages with stakeholders and shareholders has been central to AVS's successful development. On behalf of my fellow directors I thank him for his contribution to the Company and his passionate advocacy of the role of intellectual property protection and commercialisation in delivering impact from DEPI's research and development activities.

In last year's report I noted Dr Graham Mitchell's impending retirement and thanked him for his long and valuable service to AVS. The Board was delighted to have Mr Peter Turvey join its numbers in July 2012 to replace Graham. With a strong global partnering model at the centre of AVS's strategic direction, Peter's experience in the establishment of major technology-based relationships with large international corporations has significantly strengthened the Board's capacity to provide oversight and direction in this area.

In closing, I would like to thank my fellow directors and the management and staff for their continued commitment, professionalism and responsiveness throughout another successful year.

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd

Chief Executive Officer's Report

A sound financial result, an increasing intellectual property portfolio, new major international research collaborations, the commercial advancement of Australia's first herbicide-tolerant barley variety, acknowledgement of the excellence of our systems,and strengthened stakeholder relationships reflect a successful year that our commercialisation team and stakeholders can be proud of.

AVS achieved a good financial outcome in 2013. The consolidated profit of $1.2 million added further strength to the Company's balance sheet – which is crucial for a self-funding agency – particularly one such as AVS that seeks to maintain capacity to invest in the acceleration of DEPI technologies toward the market place.

DEPI innovation has continued apace with its research and development activities, providing AVS with eight new patent filings and four new plant variety rights' registrations. When added to extensions and variations associated with existing patents, AVS lodged 68 separate filings during the year.

Attending the annual Bio Convention is an important element of AVS's global marketing and commercialisation strategy as it provides an opportunity to meet with a range of current and potential international commercial partners. This year, following a successful convention in Chicago, DEPI and AVS visited Dow AgroSciences at its Indianapolis headquarters to review current projects and examine opportunities for future collaborations. The signing of a sixth major sponsored research and development agreement with Dow AgroSciences in 2013 builds on a strong relationship that has grown since an initial meeting at a previous Bio Convention.

The portfolio of projects that comprise the AVS Investment Fund provided a strong return for the Company during 2013 both in terms of new product offerings and the generation of financial returns for future reinvestment. Thirty-five plant cultivars that had their genesis in AVS Investment Fund projects are currently in the market, including 10 that were released during 2013. Favourable weather conditions and grower support for the improved cultivars have ensured continued growth of the associated royalties, providing funding to support further investment in new technology opportunities as they arise.

Australia's first herbicide-tolerant barley, Scope, was developed under an Investment Fund project. Both its accreditation by Barley Australia as a malting variety and it being licensed with BASF Plant Sciences – which provides for Scope to be integrated into its Clearfield® production system – are expected to enhance opportunities for farmers to benefit from this ground-breaking new variety.

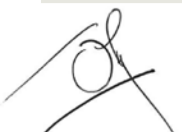
The six-member team responsible for implementation of AVS's new Technology Transfer Management System (Elisse Buchlak, Mark Jablonski, Melissa Jeal, Ian McCauley, Terina Ogden and Jim Parsons) is to be congratulated. AVS's receipt of a Rupert Hamer Award for Records Management provides significant recognition of the team's efforts and confirms the quality of systems and processes used by AVS to support its operations.

AVS, with DEPI, was actively involved in the consultation process that led to the establishment of a whole-of-government intellectual property policy for Victoria. The Department of Treasury and Finance issued the Intellectual Property Policy Intent and Principles in late 2012 and is on the cusp of releasing a guidelines document for background and additional guidance on the policy. Feedback from DTF has indicated that AVS/DEPI input has been highly valued and, most importantly, AVS's role in protecting and commercialising DEPI research outputs has been confirmed.

Professor Bill Wilson of North Dakota State University visited Melbourne in January 2013 for a series of meetings and lectures. Professor Wilson's visit was co-sponsored by AVS and DEPI as part of a broader program designed to increase and maintain knowledge of international agricultural markets and build capacity in plant trait value modelling. As part of this program Professor Wilson will also co-supervise a DEPI-linked student who is undertaking her PhD studies on trait valuation.

AVS has been working closely with the Dairy Futures Cooperative Research Centre (CRC) and will continue to do so in the coming year to facilitate further commercial investment in a range of key forage technologies. Challenges lie in introducing to the forage breeding industry what in some cases are 'disruptive' technologies, but sound progress has been made to date and the cohesive efforts of AVS and the CRC will continue toward delivering outcomes that enable more productive Victorian and Australian grazing industries.

In closing I would also like to thank the chairman and Board for their guidance and support throughout the year. Together with the committed and capable executive and staff of AVS and the Technology Commercialisation Branch, the commercialisation team is well placed to capitalise on the opportunities for DEPI's science to deliver results to primary industries.



Mr Bruce Lang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd

The Board

Dr Clive Noble
PSM
BAgrSci (Hons)
PhD MAICD

Clive leads the Office of Science, Technology and Commercialisation in DEPI's Agriculture Productivity Group. Clive's background is in research conduct, research and development management, corporate strategy and technology commercialisation. Clive joined the AVS Board in 1998 and was appointed chairman of the Company on 1 August 2008. Clive is also a director of AVS subsidiary entity Phytogene Pty Ltd.

Mr Peter Turvey
BA/LLB MAICD

Peter is the former group general counsel, company secretary and executive vice-president licensing of specialty biopharmaceutical company CSL Limited, having retired in 2011. He is currently a principal of Foursight Associates Pty Ltd, a director of the industry organisation AusBiotech Limited and a non-executive director of Starpharma Holdings Limited and Allied Healthcare Group Limited. Peter played a key role in the transformation of CSL from a government-owned entity through Australian Securities Exchange listing in 1994 to the global plasma and biopharmaceutical company that it is today. He also had responsibility for the protection and licensing of CSL's intellectual property and for risk management within CSL. Peter joined the AVS Board on 13 July 2012 and is also a member of the AVS Audit and Risk Management Committee.

Dr Bruce Kefford
PSM
BSc (Hons) PhD
GMQ MAICD FIPAA
MAIAST

Bruce has been a member of the AVS Board since 1997 and was chairman of the Company from 2000 to 2008. Bruce was the deputy secretary, DEPI Agriculture Productivity Group, and has a background in research, management and policy development in the food and agriculture sector. Bruce is also a director of Dairy Futures CRC and the Biosciences Research Centre Pty Ltd. Bruce resigned as director of the Board on 1 July 2013.

Dr Judith
Slocombe
BVSc MRCVS
Post Grad Dip Mgt
MBA FAICD FAIM

Judith has an extensive and varied career in business. A veterinarian and entrepreneur, she established her own business that grew to be the largest veterinary diagnostic group in Australasia. After selling the business in 2001, she moved on to senior executive management roles within the corporate and not-for-profit sectors.

In 2001 Judith received Australia's most prestigious award for women in business: the Telstra Australian Business Woman of the Year. Judith graduated with an MBA from the Melbourne Business School in 2002 and in 2003 was awarded the Centenary Medal. She is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

At present Judith is CEO of The Alannah and Madeline Foundation. This children's charity works to keep children safe from violence. She is also a non-executive director on a range of Boards. Judith joined the AVS Board on 1 August 2005 and also chairs the Board of subsidiary company Phytogene Pty Ltd.

Ms Kathryn Adams
BAgrSci (Hons)
LLM MBus
MEnvStud Prof Cert
Arbitration FAICD

Kathryn is an agricultural scientist and lawyer. She has extensive experience in industry-focused research and development investment for agribusiness, having held senior executive and Board positions in the public and private sectors, including chief executive officer of two research and development corporations and director of the Queensland Horticulture Institute. She was the first registrar of Plant Breeder's Rights in Australia and an executive director with the Queensland Environment Protection Agency. After retiring she became a part-time senior research fellow with the Australian Centre for Intellectual Property in Agriculture at Griffith University and is on several agribusiness Boards. Kathryn joined the AVS Board on 1 August 2011. She is also a Fellow of the Australian Institute of Company Directors.

Mr Tony Christianen
BBus (Acc) Grad
Dip Bus Admin
MAICD FCPA FAIM
SA Fin

Tony joined the Board on the 1 August 2011. Tony is a director of a consulting company, having gained extensive expertise in financial management, systems development and implementation, business administration and accounting services for a wide range of business and government organisations. Tony also chairs the AVS Audit and Risk Management Committee.

Summary of Financial Performance

A seven-year financial summary for Agriculture Victoria Services Pty Ltd and its controlled entities is provided in the following table. Further details relating to the 2013 and 2012 years are contained in the accompanying financial statements.

Seven-year financial summary	2013 $ '000	2012 $ '000	2011 $ '000	2010 $ '000	2009 $ '000	2008 $ '000	2007 $ '000
Total revenue	19,275	18,015	12,117	12,977	8,337	7,197	9,657
Total expenses	18,079	16,843	11,501	12,416	7,442	6,849	9,502
Other economic flows	2	270	21	(23)	(630)	(1,203)	-
Net profit/(loss)	**1,198**	**1,442**	**637**	**538**	**265**	**(855)**	**155**
Total assets	19,870	21,897	13,160	13,623	12,927	11,067	11,611
Total liabilities	8,992	12,217	4,922	6,022	5,864	4,131	3,775
Net worth	**10,878**	**9,680**	**8,238**	**7,601**	**7,063**	**6,936**	**7,836**
Net cash from operating	450	5,828	1,471	1,521	864	2,036	(521)
Net cash from investing	-	(26)	(155)	(406)	(335)	(652)	(699)
Net cash movement	**450**	**5,802**	**1,316**	**1,115**	**529**	**1,384**	**(1,220)**

Operating performance

The Consolidated Entity achieved a net profit of $1.198 million in 2013, representing a decrease of $0.244 million on the 2012 result; the reduction primarily caused by subsidiary company Phytogene Pty Ltd registering an operating loss for the year. The Company's net result improved in 2013 by $0.233 million to a profit of $1.368 million, driven by an increase in net royalty earnings. While subsidiary company Phytogene Pty Ltd incurred a net loss of $0.157 million for the year, this largely reflects the irregular nature of technology payments due under current licensing arrangements and the Company holds cash reserves to provide for this inherent fluctuation in revenue flows.

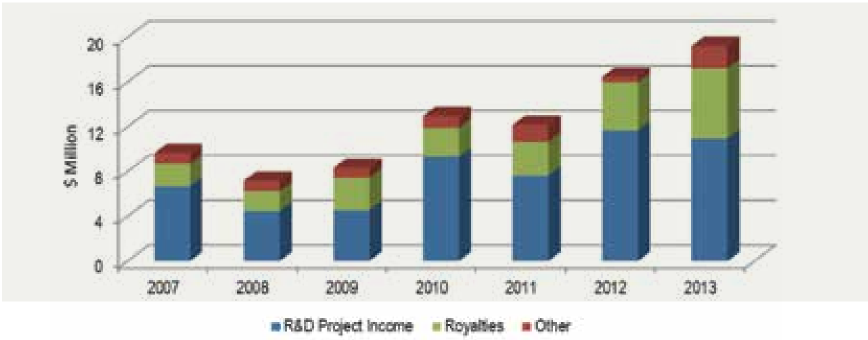
Revenue

Consolidated revenue increased by $1.26 million or 7% on the 2012 level. The $19.275 million generated in 2013 reflects increased royalty income that has been partially offset by smaller decreases in collaborative research and development income and interest earnings.

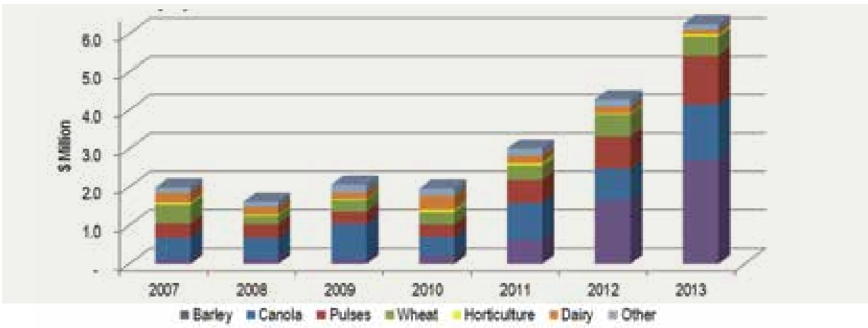
Gross royalty income improved significantly from $4.289 million in 2012 to a record $6.257 million in 2013, reflecting increased returns from barley, canola, pulse and wheat cultivars as weather conditions improved and growers' continued their support for AVS varieties.

Interest income decreased from $0.796 million in 2012 to $0.669 million as interest rates declined throughout the 2012–13 year. In accordance with government policy, cash deposits and reserves are held with Treasury Corporation of Victoria and attracted interest rates ranging from 2.70 per cent to 3.63 per cent during 2013.

Gross Income



Gross Royalty Income



Expenses

Total expenses increased by $1.236 million from the previous year to $18.079 million, largely reflecting the concomitant obligations to DEPI and other intellectual property equity holders arising from increased royalty income.

Other economic flows

Other economic flows included in the net result have decreased by $0.268 million. The reversal of a prior year impairment loss ($0.255 million) in 2012 against the intangible asset 'primary oilseeds' accounts for this variation.

Balance sheet

At 30 June 2013 AVS net assets were $10.878 million compared with $9.680 million at 30 June 2012: the increase represented by the current year's net profit. The balance sheet continues to reflect a strong financial position with liquid assets exceeding liabilities by a factor of 2.07 to 1 (up on the June 2012 position of 1.67 to 1). No external borrowings and strong cash reserves ensure AVS can meet current financial commitments as they fall due, while also having the funds available to support the acceleration of high potential innovation opportunities that emerge from DEPI's research activities.

Cash flow

Cash generated from operating activities has decreased on the 2012 result of $5.828 million due to the significant decrease in creditor balances during the 2013 year.

AVS Recognised for Excellence and Innovation

Sir Rupert Hamer Award

On Thursday 16 May at Queen's Hall, Parliament House, AVS was awarded the prestigious **2012–13 Sir Rupert Hamer Award for Records Management in the Victorian Government.**

According to the Public Records Office, '…the Awards, now in their 15th year, recognise excellence and innovation in records management within the Victorian public sector, and seek to highlight the importance of good recordkeeping in ensuring the effective accountability of governments and the efficient operation of public administration in the State of Victoria'.

AVS was successful in the Small Agencies category where its submission was selected from a competitive field of applicants. The award was granted for implementation of the Company's new Technology Transfer Management System, which was established in response to challenges associated with globalisation of the innovation pipeline and the growing complexities arising from DEPI's successful development of new technologies with appeal to a broad range of collaborators and commercial partners around the world.

A centrepiece of the new Technology Transfer Management System is the Inteum software package that was selected after an extensive search and evaluation process. AVS has worked closely with the Inteum company to ensure the software meets its particular needs. Key features of the software include:

- strategic management of critical intellectual property records in a single relational database, significantly reducing licensing risk and enhancing reporting and analysis
- capture of detailed electronic information such as essential documents, emails and file notes, greatly improving the availability of business information
- control over records management with multiple levels of security and access rights
- easy storage in an offsite, backed-up location, resulting in a lower risk of losing records and supporting material
- flexible access to the system from remote locations using a fully-featured web client and easy integration with third-party systems
- easy disposal and archive of records.

The new system has already resulted in significant gains in productivity and capability across the range of intellectual property protection and technology transfer activities.

Inteum's successful integration into the Company was managed by a dedicated and capable implementation team (pictured below accepting the award on behalf of AVS).

L-R M Jablonski, M Jeal, J Parsons, T Ogden, I McCauley, and E Buchlak

Review of Operations

The review of the Company's operations for the 2012–13 year is summarised under its four areas of activity:

- **protection and management of intellectual property generated from projects conducted by DEPI's research and development divisions**
- **commercialisation of protected intellectual property**
- **negotiation and establishment of contract and collaborative research and development agreements**
- **investment of the Company's funds to bring research and development opportunities with commercial potential to the market.**

Intellectual Property Protection and Management

The table below summarises the intellectual property portfolio held by AVS at 30 June for each of the past seven years.

	2007	2008	2009	2010	2011	2012	2013
Inventions (patent families)	47	54	54	60	61	67	70
Plant Breeder's Rights	69	68	65	62	54	52	56
Trade marks	11	12	12	12	12	11	12

Inventions held by the Company are represented by 446 patent filings throughout 35 countries and comprise a broad range of agricultural and related technologies. Plant Breeder's Rights registrations are held in Australia and overseas for various plant varieties, most of which are canola, cereal and pasture species but also include horticultural crops such as strawberries, peaches and potatoes.

A geographical representation of the Company's intellectual property portfolio is reflected in the following schematic:

A total of 68 patent filings were lodged throughout 2012-13 which, as well as new inventions, included a number of extensions and variations to existing technologies to broaden both their technical and geographical coverage. Eight new inventions were registered in the current year. One family of inventions is directed to improving the methods by which the breeding procedures for outbreeding crops can be simplified and accelerated. Another invention follows as a consequence of the continuing drive for our researchers to innovate in the methods they need to use in order to develop new approaches to improving plant genomics. This invention covers an new method for improving the preparation of nucleic acid libraries for use in determining the sequence of genes and coding regions of interest.

Plant Breeder's Rights registrations were filed for PBA Herald XT (a herbicide-tolerant lentil), PBA Percy (field pea), Mirridong (potato) and Wimmera (barley). Continued review of the portfolio has also led to the abandonment of four patents and six Plant Breeder's Rights registrations.

Intellectual property commercialisation

The following activities associated with the commercialisation of protected intellectual property were conducted by AVS during the past year:

- AVS and BASF Australia Limited have signed a major licence agreement to include AVS's herbicide-tolerant barley technology within the BASF Clearfield® production system, which will help Australian farmers grow clean barley crops and control problem weeds. The licence agreement enables Clearfield® barley to be added to the BASF Clearfield® production system and the delivery in Australia of a complete herbicide package for barley, inclusive of AVS's Scope (imidazolinone-herbicide-tolerant) barley variety, BASF's Intervix® herbicide and a product stewardship program that will help Australian barley growers tackle challenging weed control problems and ensure crop safety.

  The Biosciences Research Division of DEPI developed Scope barley through an AVS-funded investment project (see Part 3 of this section – herbicide-tolerant barley). Through its commercial seed partner for Scope in Australia, Seednet, AVS will continue to commercialise Scope as a Clearfield® barley variety (Scope CL) through grower use of the BASF Clearfield® production system, trademarks and stewardship provided via AgriCentre® agents. (AgriCentre® is the accredited training registration brand for the proper use of the BASF Clearfield® system.)

  To date, canola, wheat and maize were the only Australian crops in the Clearfield® range. With the addition of Clearfield® barley, Australian farmers will benefit from a more complete product range and the specialist weed control capabilities of the Clearfield® production system. Australia's malt barley industry should further benefit overall given the Clearfield® production system provides an opportunity for growers to produce a malt variety with guaranteed varietal purity.

- Pulse Breeding Australia (PBA) is an unincorporated joint venture comprising the Grains Research and Development Corporation (GRDC), the industry body Pulse Australia, and six research and development entities across five Australian states, including DEPI. PBA has the goal of delivering superior pulse varieties for the benefit of Australian grain growers.

  Operating through research agreements between DEPI and GRDC, DEPI leads the field pea and lentil breeding subprograms being carried out at DEPI Horsham and Bundoora that aim to produce elite new varieties with superior agronomic traits. Through the PBA field pea and lentil breeding programs, DEPI has (with the support of GRDC) co-developed elite field pea and lentil varieties for Australia. AVS and GRDC have entered into an agreement that provides AVS with the responsibility of granting commercial evaluation exploitation rights for the new varieties to suitable private sector licence partners.

  In 2013, Landmark Operations Limited (trading as Seednet) exercised its exclusive option to seek a commercial exploitation licence for the PBA Hayman field pea variety. PBA Hayman is a forage-type field pea (hay, silage and green manure) suitable for all cropping zones.

- PB Seeds Pty Ltd exercised its option to licence PBA Herald XT, a small-sized red lentil variety. Developed directly as result of AVS investment, PBA Herald XT is the first lentil variety with improved tolerance to the herbicides imazethapyr (for use under an Australian Pesticides and Veterinary Medicines Authority permit) and flumetsulam (e.g. Broadstrike®, Multitude®). The variety also has reduced sensitivity to some sulfonylurea and imidazolinone herbicide residues from a prior crop, is suitable for early sowing to maximise yield and adapts well in longer growing seasons in medium to higher rainfall areas. It is expected that herbicide-tolerant lentils like PBA Herald XT will enable production in areas that were previously unsuitable due to weed problems.

- Australian Agricultural Crop Technologies (AACT) and AVS entered into a licence for the chickpea Genesis® 115 – marketed as Genesis® Kalkee – following its successful commercial-scale field evaluation. Genesis® Kalkee is a large-sized kabuli type chickpea suited to regions with 400 to 700 mm annual rainfall.

- AVS and Monsanto Australia Ltd commercially released to AACT a pipeline of condiment mustard (Brassica juncea) lines, collaboratively bred by DEPI at Horsham under a joint-venture project with AgSeed Pty Ltd. The lines were sold and assigned to AACT after extensive commercial-scale evaluation and test marketing by AACT. Material from these yellow and brown mustard lines is being produced under the Muscon™ and Hemola™ brands and may be used in a range of food, health, industrial or bio-feedstock applications.

- The software program AgriGater was licensed to Mr Carl Sudholz (trading as Fast Task Tools). DEPI developed the AgriGater program as a decision support tool to help farm businesses manage their growth performance and risk.
  Mr Sudholz will modify and improve the program and make it available to producers and industry.

- AVS exclusively licensed a day-neutral strawberry variety in Australia, Melba, to S&K Perry Certified Strawberry Runner Growers Pty Ltd. Melba™ produces attractive and high quality fruit that maintains an excellent appearance throughout the season, It also produces relatively high yields and performs well in wet conditions. Melba™ is providing a viable varietal option for Victorian strawberry growers in suitable agronomic regions.

Review of Operations continued

- AVS exclusively licensed Dowling AgriTech to commercialise in Australia a new potato cultivar, 02-1-2, following a call for commercial Expressions of Interest in October 2008 and three years of commercial field evaluation of the variety. Dowling AgriTech, a seed potato business based in Mt Gambier, South Australia, aims to maximise market uptake of this specialist market potato variety via strategic alliances with independent industry partners and the supply of high quality seed.
- AVS exclusively licensed Elders Rural Services Australia Ltd to commercially release, produce and market in Australia a new fresh-market potato, 03-19-3. Elders was the successful licence applicant following an open Expression of Interest process in 2008. The Company entered an evaluation and licence option agreement in July 2010 to commercially test the variety in Victoria and other target regions in Australia.
- AVS has granted plant variety licence rights in Australia to PG & SL Scott Pty Ltd for six potato cultivars (04-205-5, 04-205-8, 04-205-11, 00-20-17, 04-128-9) following the parties entering into an evaluation and licence option agreement for the cultivars in 2011.

Commercial and collaborative research and development

During the year AVS negotiated and established new collaborative, sponsored or contract research and development agreements with the private sector on behalf of DEPI. These included the following highlights:

- DEPI and Dow AgroSciences LLC, a wholly owned subsidiary of The Dow Chemical Company, entered into a new sponsored research and development project to develop novel plant genetics and enabling tools designed to increase crop performance for the benefit of farmers in Australia and around the world.

  Under the new collaborative research and development agreement, Dow AgroSciences will work with DEPI, through AVS, to develop new varieties of canola with enhanced performance. This represents the sixth sponsored research and development project of the collaborative program between Dow AgroSciences and DEPI which, since the relationship between the two organisations began in 2009, has aimed to develop new crop varieties with improved productivity, agronomic and quality traits.

  The new project builds on the current sponsored research and development collaboration between DEPI and Dow AgroSciences that has resulted in the design and development of a platform for precision genome editing technologies using EXZACT™, a technology which Dow AgroSciences has developed under an exclusive licence and collaboration agreement with Sangamo BioSciences Inc. The EXZACT™ Precision Technology platform enables the creation of new varieties of canola and the capability to develop novel gene combinations in commercial varieties that will rapidly allow the production of crops with improved performance. The further development of this unique technology platform for precision trait improvement in canola and wheat represents a successful outcome from the parties' collaborative efforts in combining innovation capacity. The deployment of this technology will lead to enhanced genetics in these major crops of importance for Australian grain growers.

  The new sponsored research and development project will be carried out at DEPI research facilities at Horsham and the new $288 million Centre for AgriBioscience – AgriBio – at Bundoora. The results are expected to generate significant benefits to Australian growers while also providing an important role in supporting advances in global food security. Dow AgroSciences is a global leader in agricultural biotechnology and its commitment to research and development in plant genomics makes it an ideal collaboration for DEPI. The Company's decision to further its investment in Victoria through this new sponsored research and development project further confirms the world-class standing and collaborative value of DEPI's scientists and research infrastructure.
- A range of commercial contract research and development projects were undertaken in the natural resource management areas of grasslands, wind erosion, water use and climate challenges for clients such as catchment management authorities and private consulting organisations. These new research and development projects included work in the areas of evaluation of farming systems, land management practices and water use efficiency.
- Several experimental or consulting research and development projects were undertaken for international institutes and private sector entities. Such projects included the provision of research and development services work in glasshouse production and plastic film technology in leafy vegetables, and in trials assessing the requirements for the production of *Papaver somniferum* (poppies) as a potential industry in Victoria.
- Additional field-based contract research and development projects were also conducted for private sector seed and product supply companies, which included trials in areas of:
  - barley and wheat disease screening
  - seed treatment evaluation
  - soil and plant monitoring
  - coal seam gas water uses
  - water sensitive farm design
  - corn crop surveys.

Review of Operations continued

Investments

The AVS Investment Fund was established to support and accelerate the advancement of innovation opportunities with the potential to deliver high impact through a commercial route to market. The Investment Fund seeks to help bridge the 'funding gap' between DEPI's creation of a technology and the point at which the private sector is prepared to invest in product development.

The portfolio of projects supported by the AVS Investment Fund performed well during 2012–13 with new products being released to the farming community and the royalty returns that they generate replenishing the pool of funds available for further investment.

The accounting treatment of investments is determined by the Australian Accounting Standards and varies according to the nature of the technology and the category of expenditure against which the funds are applied. AVS investments fall into three areas:

1. Equity investments reported in the balance sheet as other financial assets or investments

Phytogene Pty Ltd

Phytogene Pty Ltd was established in 2001 and is a wholly owned subsidiary of AVS. Its purpose is to commercialise a proprietary and patented delayed plant-leaf-senescence technology with the trademark LXR®. The technology has a wide range of potential applications for major plant crops by increasing dry matter production, seed yield and drought tolerance.

The company also holds exclusive worldwide commercialisation rights to another yield-enhancing technology complementary to LXR®. Known as BET, the technology was developed by AVS and the former Molecular Plant Breeding CRC.

Phytogene is a mid-stage biotechnology development company with its key technology having demonstrated initial proof of concept and with licences in place for its further technical development and commercialisation in certain crops. The company continues to maintain a low cost structure while it builds value in the technology and seeks further commercial opportunities. Fees and milestone payments due from licencees are projected to keep the company cash flow positive in the period before product launch, following which royalty flows are expected to provide an ongoing and sustainable financial base.

Phytogene continued to make sound progress during the 2013 year. While a net operating loss of $157K was incurred, this loss largely reflects the irregular timing of technology payments due under current licence arrangements. Phytogene's cash reserves have provided adequate coverage for this inherent fluctuation in the company's revenue flows.

Glasshouse and field trial results have provided evidence of proof of concept in the dicot species canola, white clover, and more recently, alfalfa. A major North American field trial in canola will be completed during the 2013–14 year and is expected to build on the strong results that were achieved for this crop in Australian trials.

After positive results in the glasshouse, Phytogene is conducting a major 'in-house' field trial in wheat. Subject to positive outcomes, the trial results will be used as a basis to leverage and support claims for the technology's application in wheat and other major monocot species.

Patent protection is being extended into various territories where major target crops are grown, either by direct filing or Patent Cooperation Treaty (PCT) applications.

The company completed a major review of its commercialisation strategy during the past year. This confirmed both the magnitude of the opportunity and the importance of pursuing global commercialisation partners in seeking to bring the company's technologies to market. During the coming year Phytogene will continue to focus on strengthening relationships with its current partners as well as strategically developing new relationships with other suitable private sector companies.

Gramina Pty Ltd

The Gramina Joint Venture was established in 2005 by the Molecular Plant Breeding CRC (MPB) and Wrightson Genomics Ltd (PGWG) to develop and commercialise improved forage species. At the end of its life, MPB assigned its intellectual property to AVS and also ceased to be a partner of the joint venture. Concurrently, AVS was also admitted as a party to the Gramina Joint Venture and by way of share transfer became a beneficial shareholder in the entity Gramina Pty Ltd. AVS agreed to take on this role to support the company's further development and protect DEPI's strategic interest in the achievement of the joint venture's objectives.

Review of Operations continued

Following its formation, the Dairy Futures CRC (DFCRC) assumed responsibility for the management and delivery of Gramina's technical program, with the relative responsibilities of DFCRC, PGWG, Gramina and AVS articulated in a Designer Grasses Collaboration and Licence Agreement (DGCLA).

In September 2012 the private sector partner PGWG gave notice of its withdrawal from the DGCLA's major project, leading to termination of the DGCLA on 31 December 2012. At a subsequent Board meeting, Gramina Pty Ltd directors concluded that the joint venture's core objectives were unlikely to be achieved and thus recommended to shareholders that the company and the joint venture be wound up. Consequently, Gramina Pty Ltd is in the process of wind-up by deregistration, which is expected to be concluded early in the 2013–14 financial year.

Following the wind-up of Gramina, AVS will retain ownership and commercialisation rights for the key forage-related technologies that it licensed to the joint venture. The DFCRC is continuing to undertake further technical development of an important high-energy ryegrass project that has identified two candidate plant events with significantly improved performance characteristics. AVS, in consultation with DFCRC, is examining commercial opportunities designed to ensure this project and others within the former Gramina portfolio are brought to market for the benefit of Victorian and Australian grazing industries.

2. Project expenditure reported in the balance sheet as an intangible asset

Primary Oilseeds

Primary Oilseeds is an oilseed cultivar development and commercialisation program comprising three components delivering elite canola germplasm and varieties of Australian 'conventional' canola, triazine-tolerant canola and parental lines of imidazolinone-tolerant (Clearfield HT) canola.

The investment, provided by AVS over four years, completed its technical development phase in 2007 when, in alignment with DEPI's Policy for Investment in Plant Breeding, DEPI resolved to exit conventional and triazine-tolerant canola cultivar breeding. AVS then managed its own and DEPI's exit – delivering an effective mechanism for the transfer of canola cultivar development activities and intellectual property rights from the state to the private sector. In exchange for the transfer of this germplasm, AVS and DEPI received a one-off payment and rights to a future royalty stream arising from existing and newly developed cultivars.

Favourable market conditions since 2007 have resulted in AVS's licence-holders maintaining their breeding programs for conventional and triazine-tolerant cultivars.

Returns from AVS investment in the Primary Oilseeds program during this period have been buoyed by a significant increase in canola plantings and a slower than anticipated take-up of new herbicide-tolerant varieties currently available in the market.

AVS HOLL canola

The project was established to develop high oleic, low linolenic (HOLL) canola hybrids with tolerance to important herbicides for Brassica napus. HOLL canola has higher oxidative stability (which offers improved shelf life and stability at high temperatures) and low levels of saturated 'trans' fats. AVS co-investment with Cargill Incorporated has provided germplasm for use in the development of improved conventional and new herbicide-tolerant HOLL canola hybrids, primarily in Australia and North America.

To facilitate the full transition of this program to the private sector, AVS assigned its rights to Cargill in exchange for a one-off payment and trailing royalty entitlements. To date, the collaboration has resulted in Cargill's release of several new commercial canola varieties with proprietary HOLL traits in Australia. These offer health benefits to consumers and are therefore of related value to the food and food processing sectors.

Cargill has now established its own breeding and seed marketing capacity in Australia and continues to work with global food service and processing supply chains to generate demand and advance HOLL canola adoption in Australia. In the past year, two new HOLL hybrid canola varieties have been commercially introduced in Australia that are expected to contribute to expanded areas grown to HOLL canola in the next three to five years.

AVS Juncea canola

The project was established to develop second-generation Juncea canola (canola-quality Brassica juncea) varieties adapted to low-rainfall, high-temperature environments.

The AVS financial commitment was originally co-invested with the Canadian-based agribusiness company, Viterra Limited, to develop herbicide-tolerant Juncea canola cultivars for Australia and North America. Imidazolinone and triazine were the primary focus for the development of herbicide-resistance traits.

In line with its canola cultivar breeding divestment strategy, AVS successfully transferred this project to the private sector through the sale of its interests to Viterra Limited. At the point of AVS's exit in December 2010, the collaboration had developed Juncea canola genetics with herbicide tolerance, improved disease resistance, better quality and adaptation to low-rainfall growing regions of Australia. To date the project has resulted in the first-ever canola-quality Brassica juncea varieties being released in Australia (Dune, Oasis-CL and Sahara-CL).

In the past 12 months, Viterra Ltd was acquired by Glencore Grain which, through its (Agrium-owned) and Australian commercial seed arm, Seednet, will lead the future development of Juncea canola in Australia. This will involve the identification and pursuit of new strategic opportunities via grain handling and marketing businesses across Australia, underpinned by several promising new Juncea canola cultivars being advanced through the company's canola breeding pipeline.

3. Project expenditure that has been charged against the income statement when incurred

Herbicide-tolerant lentils

This project aims to develop and commercialise elite first-generation lentil cultivars with tolerance to a class of herbicides used by Victorian and Australian lentil growers. Acetolactate synthase (ALS)-inhibiting herbicides are used to control broadleaf weeds in pulses and at present all commercial pulse varieties are intolerant to this class of herbicides, particularly sulfonylureas.

The project conducted a relatively small-scale, commercially focused, mutagenesis-based breeding program to produce a pipeline of non-transgenic, herbicide-tolerant lentil varieties. The breeding process of 'mutagenesis' alters a plant by making changes to its DNA sequence but does not introduce foreign DNA into the plant's genome as occurs with transgenesis (genetic modification).

The project successfully demonstrated 'proof of concept' in several lentil cultivars with tolerance to the Group B herbicide, imidazolinone. Two leading candidate HT lentil cultivars were developed and, through AVS commercial partner PB Seeds Pty Ltd, underwent wide-scale commercial grower evaluation in 2010–11.

In the past year, the leading varietal candidate was registered for Plant Breeder's Rights under the name PBA Herald XT and commercially launched by PB Seeds and Pulse Breeding Australia. Early indications are that the variety is being well received by growers in Victoria and South Australia. A pipeline of new cultivars is planned for commercial release in the next one to three years.

Herbicide-tolerant barley

Following the initial technical success from its investment in HT Lentils, AVS invested in the development of imidazolinone-herbicide-tolerant barley. This four-year project was designed to produce herbicide-tolerant barley genetics to enable grain growers to better manage weeds and provide a new crop variety rotation option.

Intellectual property protection was secured for the subsequent novel discovery in barley and related barley genetics via an application to patent the HT barley trait and mutant lines (which has been lodged in key barley producing countries).

Following several years of quality and agronomic evaluation, a commercially elite imidazolinone-tolerant barley line, Scope, was made available to barley growers on a pilot-scale in 2011 by commercial seed partner, Seednet.

Protected by both patent and Plant Breeder's Rights in Australia, Scope is Australia's first and only herbicide-tolerant barley variety.

In 2013 after a two-year evaluation program, Scope received malt accreditation from Barley Australia which means growers, on top of accessing other benefits such as strong agronomics and yield potential, should be able to achieve higher returns for grain in this malt category.

Further, as reported earlier in this report, AVS and BASF signed an agreement in June 2013 to include 'Scope' barley within the BASF Clearfield® production system in Australia for the application of the Clearfield® herbicide, Intervix®, on Scope CL barley to further support growers to deal with challenging weed control problems and ensure crop safety.

Corporate Governance

AVS has established a comprehensive governance framework to ensure that the Company complies with its legal obligations, meets expected standards of propriety and delivers against its corporate responsibility to provide intellectual property and commercialisation services to DEPI

During 2013 AVS continued to place a high priority on governance matters with a number of initiatives undertaken throughout the period to strengthen stakeholder relationships and improve systems, procedures and structures.

- After Cabinet endorsement in August 2012 the Department of Treasury and Finance (DTF) issued the Intellectual Property Policy Intent and Principles (IP Policy) as the state's framework for the ownership and management of its intellectual property. Release of the policy followed consultation with the Victorian public sector, industry and community. As part of this process AVS and staff of DEPI's Technology Commercialisation Branch (TCB) worked closely with DTF in the drafting and refining of the policy.

  DTF is now developing the Intellectual property guidelines for the Victorian public sector to support the policy and provide additional background and guidance to departments and agencies. AVS and the Technology Commercialisation Branch has again provided input to this process with feedback from DTF confirming that AVS's contribution has been highly valued. Most importantly, AVS's role in protecting and commercialising DEPI's research outputs has been confirmed.
- As reported earlier, successfully completing the implementation of a major new Technology Transfer Management System during the past year has ensured significant efficiency and risk management benefits for AVS. It was gratifying to receive a Sir Rupert Hamer Award for Records Management as acknowledgement of this achievement.
- Following Ministerial and Cabinet approval, Mr Peter Turvey joined the Board on 13 July 2012 to replace Dr Graham Mitchell who retired after 11 years as a director. The appointment followed an assessment of the Board's future skill requirements and its recognition that a strong global partnering model was at the centre of the Company's strategic direction.
- A review of the Board sub-committees resulted in a rotation of the director representation on the Audit and Risk Management Committee with Mr Peter Turvey replacing Dr Judith Slocombe effective from 7 February 2013.
- Several new administrative policies and procedures were developed and implemented in 2013 including a Conflicts of Interest Policy and a Succession Planning Policy. Internal audit reviews of the following systems and processes were completed in 2013:
  - conflicts of interest
  - fees and charges
  - licensee and royalty management
  - financial compliance

Company structure and function

AVS is a private company incorporated under the provisions of the Corporations Act 2001. The Government of Victoria beneficially owns 100 per cent of the Company's issued capital with the shareholder being represented through the Minister for Agriculture and Food Security.

Originally established as Daratech Pty Ltd in 1986, the Company's name was changed to Agriculture Victoria Services in 1998.

The primary role of the Company is to protect, manage and commercialise intellectual property generated by DEPI's research and development divisions.

AVS has five million issued shares that are held non-beneficially on behalf of the State of Victoria by Dr Bruce Kefford and Dr Clive Noble. The shares are subject to a declaration of trust that requires shareholders to exercise their rights:

'In such manner as the Minister of the State for Agriculture or his delegate shall from time to time direct'.

Responsibilities and composition of the Board of directors

The directors of AVS are responsible for the overall corporate governance of the Company including the setting of direction, establishment of goals and monitoring of performance.

The skills-based Board currently consists of six members, four of whom are from outside the public sector.

Directors are appointed in accordance with the *Victorian Government's Guidelines for appointment of non-executive directors*. The Board members are as follows:

Director	Current term
Dr Clive Noble (Chairman)	1 August 2011 – 31 July 2014
Dr Judith Slocombe	1 August 2011 – 31 July 2014
Ms Kathryn Adams	1 August 2011 – 31 July 2014
Mr Antony Christianen	1 August 2011 – 31 July 2014
Mr Peter Turvey	13 July 2012 – 31 July 2014
Dr Bruce Kefford	Dr Kefford resigned from the AVS Board effective 1 July 2013

Board sub-committees

The Board currently has three sub-committees:

Audit and Risk Management Committee
The purpose and objectives of the Audit and Risk Management Committees (ARMC) are defined in the AVS Audit and Risk Management Committee Charter and include oversight and advice on matters of accountability, compliance, performance and risk management. ARMC members are appointed for a three-year period with the term of the current committee due to expire on 30 September 2014:

Mr Antony Christianen
(Chairman of ARMC and AVS director)

Mr Peter Turvey
(AVS director)

Ms Jessica Fintes
(DPI representative member)
(currently on maternity leave)

Ms Victoria Cannata
(DEPI representative member – Acting)

The ARMC met four times during the 2012–13 year.

The ARMC was assisted in its discharge of duties by HLB Mann Judd Pty Ltd, which has been appointed to continue as the Company's internal auditors for a further three-year period to June 2015.

Remuneration Committee
The Remuneration Committee meets on an as-needed basis to determine, approve and set remuneration terms and conditions for Company employees. All directors are members of the Remuneration Committee, which met twice during the 2012–13 year.

Investment Committee
The Investment Committee is constituted under the AVS Investment Policy and Procedure. It is responsible for assisting and advising the Board on matters relating to the investment of AVS funds and their periodic review and valuation. All directors are members of the Investment Committee, which met twice during the 2012–13 year.

Policies and procedures
AVS has developed a comprehensive set of policies, procedures and guidelines designed to protect the Company's assets, uphold the integrity of its reporting systems, provide operational consistency and ensure compliance with legislation. All policies, procedures and guidelines are subject to review on an annual basis under the ARMC's guidance.

Risk management
AVS has adopted the Victorian Government Risk Management Framework. The framework brings together information on government policies, accountabilities and roles and responsibilities for all involved in risk management across the Victorian public sector.

The Risk Management Framework incorporates an attestation process to confirm that risk management processes and structures are embedded across the business.

Attestation of Compliance with the Australian/New Zealand Risk Management Standard
I, Clive Noble certify that Agriculture Victoria Services Pty Ltd has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard (or designated equivalent) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The Audit and Risk Management Committee verifies this assurance and that the risk profile of Agriculture Victoria Services has been critically reviewed within the last 12 months.

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd
19 August 2013

Attestation for Compliance with the Ministerial Standing Direction 4.5.5.1 – Insurance
I, Bruce Lang certify that Agriculture Victoria Services Pty Ltd has complied with Ministerial Direction 4.5.5.1 – Insurance.

Mr Bruce Lang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd
19 August 2013

Corporate Governance continued

Organisational structure and relationship with DEPI

AVS is accountable for the delivery of DEPI's Agriculture Productivity Group intellectual property protection and commercialisation program. The Company effectively provides a portal through which DEPI technologies and capabilities can be taken to the market place via a means that maximises the economic benefit to Victoria. The executive and operational structure that has been developed recognises the commonality of goals between AVS and DEPI and seeks to provide a seamless progression for a technology as it follows its route to market. AVS relies on the resources and expertise of DEPI's Technology Commercialisation Branch to ensure that it meets its obligations to provide intellectual property protection and commercialisation services to DEPI research divisions.

The team delivering intellectual property and commercialisation services comprises:

Mr Bruce Lang
Chief Executive Officer
B Bus, Dip Ed, FCPA, MAICD

Bruce is responsible for planning and managing the business of AVS to ensure the Company is positioned to provide an efficient and effective commercial route to market for DEPI's intellectual property. Bruce has an extensive background in both the public and private sectors gaining experience in industries that include agriculture, professional services, securities and education. Bruce is also company secretary for subsidiary entity Phytogene Pty Ltd and director of related entity Gramina Pty Ltd.

Mr David Liesegang
Principal Commercialisation Manager
B Bus (Mkt), GAICD

David is the director of the Technology Commercialisation Branch of DEPI's Office of Strategic Partnerships and is responsible for leading intellectual property protection, commercialisation and portfolio management of technology innovations generated by DEPI research divisions. He has extensive senior management experience in agricultural and biosciences technology route-to-market planning, marketing and transfer.

Mrs Melissa Jeal
Company Secretary and Chief Financial Officer
B Bus (Acc), CPA, CSA (Cert)

Melissa provides executive management of the full range of corporate administration, financial and risk management systems and is responsible for developing and maintaining the Company's corporate governance and compliance, financial and risk management frameworks. As part of her role Melissa is also the Company's risk manager.

Dr Jim Parsons
Senior Commercialisation Manager
BVSc, MSc, PhD, GAICD

Jim has an extensive background in research and joined the commercialisation team in 1997. His focus is on plant and animal-related technologies including forage plants. In his role, Jim is responsible for the business development and commercialisation of a range of technologies arising from DEPI's Biosciences Research Division. He is also a director of AVS-related entity, Gramina Pty Ltd.

Mr Andrew Grace
Senior Commercialisation Manager
BApp Sc (Ag), MBT, GAICD

Andrew works across DEPI divisions with primary responsibility for marketing and commercialisation of intellectual property generated by the Future Farming Systems Research Division of DEPI. Andrew has worked in the private and public sectors within the environmental and agricultural industries.

Mr Mark Jablonski
Contracts Manager
B Eng, Grad Dip IP Law

Mark provides advice, contract development and contract negotiation services to support the Company's commercialisation activities. He has a background of many years' experience in contract formation and negotiation in the public, private and university sectors.

Dr Ian McCauley
Intellectual Property Officer
BSc (Hons), PhD, LLM

Ian administers the Company's intellectual property portfolio including patent, breeder's rights and trademark registrations. Ian has an extensive background as a research scientist.

Mrs Jane Banovac
Commercialisation Manager
BSc (Hons)

Jane is responsible for the commercialisation of DEPI-created intellectual property and the ongoing management of licensed plant-based intellectual property. Jane has developed a broad range of experience in plant research and agribusiness.

Miss Elisse Buchlak
Contracts Officer
LLB, BSc, GradDipLegPrac

Elisse works in conjunction with the contracts manager in providing contract and intellectual property support to the commercialisation managers.

Ms Jasmine Edwards
Project Officer
B Ag Sc (Hons)

Jasmine provides research, analysis and licensee management support to strengthen the delivery of AVS core services in the areas of technology commercialisation, intellectual property protection and contract governance.

Ms Helen Liu
Accountant
B Com (Acc)

Helen delivers a broad range of financial services, processing of general ledger transactions, statutory returns, and assistance in the preparation of management and statutory financial reports.

Mrs Terina Ogden
Commercialisation Support Officer
Dip Bus

Terina is responsible for providing administrative support to the commercialisation managers and the overall efficient operations of the office.

Mrs Rosalba Camera
Executive Assistant
Dip Frontline Mgmt; Cert IV Training & Assessment

Rosalba provides administrative support to the AVS chief executive officer, AVS company secretary and director of technology commercialisation.

Mrs Rosanna Mastrolorito
Finance Officer
Cert Accounting

Rosanna assists the AVS accountant and delivers financial and general office services including accounts payable/receivable, records management.

Corporate Governance continued

Legislative framework

The legislative framework that guides the Company's operations includes the following:

Corporations Act 2001
AVS is an incorporated entity limited by shares, registered under the provisions of the Corporations Act, which provides the legislative base for the management and operations of the Company.

Public Administration Act 2004
The Public Administration Act incorporates a set of values and principles to support public administration and provides a framework designed to ensure effective and consistent governance across the entire Victorian public sector. The Act establishes the State Services Authority to support its administration and implementation.

Financial Management Act 1994
The Financial Management Act was promulgated in 1994 to provide for improved financial management in the public sector and provide for annual reporting to Parliament. While the Act provides broad coverage of matters relating to public sector financial management, accountability of officers and reporting obligations, a significant number of its provisions do not apply to the Company. However, AVS is a declared body under section 53A of the Act and this requires the annual report to be tabled in Parliament on an annual basis by the Minister for Agriculture and Food Security.

Audit Act 1994
The Victorian Government introduced the Audit Act in 1994 to provide for the conduct of efficient and effective financial audits of the Victorian public sector.

Under this Act AVS is subject to annual audit by the Auditor General of Victoria. The audit of AVS is currently conducted by UHY Haines Norton under contract to the Auditor General.

Privacy Act 1988
The Privacy Act is the principal piece of legislation providing protection of personal information in the public and private sector.

Protected Disclosure Act 2012
The former Whistleblowers Protection Act 2001 ('Whistleblowers Act') was repealed and replaced with the Protected Disclosure Act 2012 ('PD Act'), which came into force on 10 February 2013. As the change of legislation occurred midway through the 2012-13 financial year, this disclosure complies with the requirements of the PD Act and section 104 of the Whistleblowers Act, for each of the relevant time periods.

The PD Act was part of a package of integrity reforms introduced by the Victorian Government, which also established the Independent Broad-based Anti-corruption Commission (IBAC).

The PD Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

What is a 'protected disclosure'?
A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.

AVS is a "public body" for the purposes of the Act.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a 'Protected Disclosure'?

You can make a protected disclosure about AVS or its board members, officers or employees by contacting DEPI or IBAC on the contact details provided below. Please note that AVS is not able to receive protected disclosures.

Contacts

Department of Environment and Primary Industries (DEPI)

Jennifer Berensen,
Senior Advisor, Privacy & Ombudsman
Department of Environment and Primary Industries

Address:
PO Box 500, East Melbourne Vic 8002
Ph: 03 9637 8697
Website: www.depi.vic.gov.au

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

Address:
Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001.
Mail:
IBAC, GPO Box 24234, Melbourne Victoria 3000
Internet: www.ibac.vic.gov.au
Phone: 1300 735 135

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Financial Report

AGRICULTURE
VICTORIA
SERVICES

Directors' Report

The Board of Directors present their report together with the financial report of Agriculture Victoria Services Pty Ltd ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2013 and the auditors report thereon.

Directors
The names of the directors of the Company at any time during or since the end of the financial year are:

KH Adams	A Christianen
B Kefford	GF Mitchell
CL Noble	JM Slocombe
P Turvey	

GF Mitchell ceased being a Director of the Company when his term of office expired on 31 July 2012.

P Turvey was appointed as a Director on 13 July 2012.

B Kefford resigned as Director of the Company effective 1 July 2013.

All other Directors were in office from the beginning until the end of the financial year.

Principal Activity
The principal activity of the consolidated entity during the financial year was to facilitate the commercialisation of research and development in the Victorian Department of Environment and Primary Industries.

There was no significant change in the nature of the activities of the consolidated entity during the financial year.

Results and Dividends
The net result for the Company for the year was $1,368,084 (2012 profit $1,135,406). The net result for the consolidated entity for the year was $1,197,910 (2012 profit $1,441,764).

The directors do not recommend payment of a final dividend and no dividend has been paid since the end of the previous year. (2012: Nil).

Likely Developments
The consolidated entity will continue to facilitate the expansion of commercial revenues associated with the research and development activities of the Victorian Department of Environment and Primary Industries. No significant changes are expected to the principal activities of the consolidated entity during the next financial year.

Events Subsequent to Balance Date
No further transactions or circumstances have arisen since the date of this report that significantly affected or may significantly affect the operations of the consolidated entity, the results of the operations, or the state of affairs of the consolidated entity in subsequent financial years.

Impact of Legislation and other External Requirements
The Company is not significantly affected by any environmental legislation.

Directors Meetings
The respective attendance of directors' at board meetings and board committee meetings were:

	Board of Directors		Committee of the Board of Directors					
	Full Board		Audit & Risk Management		Investment		Remuneration	
	No.Meetings Attended	No.Meetings Eligible	No.Meetings Attended	No.Meetings Eligible	No.Meetings Attended	No.Meetings Eligible	No.Meetings Attended	No. Meetings Eligible
KH Adams	6	6	-	-	2	2	2	2
A Christianen	6	6	4	4	2	2	2	2
B Kefford	6	6	-	-	2	2	2	2
CL Noble	6	6	-	-	2	2	2	2
JM Slocombe	6	6	2	2	2	2	2	2
P Turvey	6	6	2	2	2	2	2	2

Directors' Report
Indemnification and Insurance of Officers and Auditors

The Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or of a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings.

For and on behalf of the Board in accordance with a resolution of the directors.

Director: Dr Clive Noble
Dated: 19 August 2013

Director: Dr Judith Slocombe
Dated: 19 August 2013

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the Board of Directors, Agriculture Victoria Services Pty Ltd

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 any matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for the Agriculture Victoria Services Pty Ltd for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of auditor independence requirements of the *Corporations Act 2001* in relation to the audit

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

T. D-H

MELBOURNE
21 August 2013

for John Doyle
Auditor-General

Comprehensive Operating Statement

Year ended 30 June 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $	The Company 2013 $	The Company 2012 $
Income from transactions					
Income from continuing operations	2a	18,585,328	17,219,333	18,610,256	16,871,408
Interest	2b	668,745	795,774	645,813	774,089
Grants	2c	20,600	-	-	-
Total Income from transactions		**19,274,673**	**18,015,106**	**19,256,069**	**17,645,497**
Expenses from transactions					
Employee expenses		448,665	383,862	448,665	383,862
Depreciation expenses		268,714	210,211	268,714	210,211
Contract research and development project expenses		11,146,746	11,706,761	10,971,746	11,681,761
Royalty expenses		4,859,882	3,466,000	4,859,882	3,466,000
DPI research programs		6,428	86,692	6,428	86,692
Other expenses from continuing activities		1,348,255	989,791	1,334,477	919,534
Total expenses from transactions	3	18,078,690	16,843,317	17,889,912	16,748,060
Net result from transactions(net operating balance)		**1,195,983**	**1,171,790**	**1,366,157**	**897,437**
Other economic flows included in net results					
Net gain/(loss) on non-financial assets	4(a)	1,910	261,718	1,910	261,718
Net gain/(loss) on financial instruments	4(b)	-	9,985	-	(22,020)
Net gain/(loss) from other economic flows	4(c)	17	(1,729)	17	(1,729)
Total other economic flows included in net result		**1,927**	**269,974**	**1,927**	**237,969**
Net Result		**1,197,910**	**1,441,764**	**1,368,084**	**1,135,406**
Comprehensive result		**1,197,910**	**1,441,764**	**1,368,084**	**1,135,406**

The Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $	The Company 2013 $	The Company 2012 $
ASSETS					
Financial Assets					
Cash and cash equivalents	17a	17,445,087	16,994,683	16,810,066	16,224,331
Trade and other receivables	6	1,156,698	3,367,327	1,162,819	3,362,769
Other financial assets	7	-	-	855,002	855,002
TOTAL FINANCIAL ASSETS		18,601,785	20,362,010	18,827,887	20,442,102
Non-Financial Assets					
Plant and equipment	8	77,268	100,283	77,268	100,283
Intangible Assets	9	1,190,957	1,434,841	1,190,957	1,434,841
TOTAL NON-FINANCIAL ASSETS		1,268,225	1,535,124	1,268,225	1,535,124
TOTAL ASSETS		19,870,010	21,897,134	20,096,112	21,977,226
LIABILITIES					
Trade and other payables	10	8,838,547	12,074,430	8,751,619	12,011,665
Provisions	11	153,486	142,637	153,486	142,637
TOTAL LIABILITIES		8,992,033	12,217,067	8,905,105	12,154,302
NET ASSETS		**10,877,977**	**9,680,067**	**11,191,007**	**9,822,923**
Equity					
Share capital		5,000,000	5,000,000	5,000,000	5,000,000
Accumulated surplus		5,877,977	4,680,067	6,191,007	4,822,923
NET WORTH		**10,877,977**	**9,680,067**	**11,191,007**	**9,822,923**
Commitments for expenditure	13				
Contingent liabilities	14				

The Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

Year ended 30 June 2013

	Consolidated				The Company			
	Equity at 1 July 2012 $	Net result $	Other comprehensive income $	Equity at 30 June 2013 $	Equity at 1 July 2012 $	Net results $	Other comprehensive income $	Equity at 30 June 2013 $
Share Capital	5,000,000	-	-	5,000,000	5,000,000	-	-	5,000,000
Accumulated Surplus	4,680,067	1,197,910	-	5,877,977	4,822,923	1,368,084	-	6,191,007
Total equity at the end of the financial year	**9,680,067**	**1,197,910**	**-**	**10,877,977**	**9,822,923**	**1,368,084**	**-**	**11,191,007**

	Consolidated				The Company			
	Equity at 1 July 2011 $	Net result $	Transations with owners in their capacity as owners $	Equity at 30 June 2012 $	Equity at 1 July 2011 $	Net results $	Other comprehensive income $	Equity at 30 June 2012 $
Share Capital	5,000,000	-	-	5,000,000	5,000,000	-	-	5,000,000
Accumulated Surplus	3,238,303	1,441,764	-	4,680,067	3,687,517	1,135,406	-	4,822,923
Total equity at the end of the financial year	**8,238,303**	**1,441,764**	**-**	**9,680,067**	**8,687,517**	**1,135,406**	**-**	**9,822,923**

The Statement of changes in equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

Year ended 30 June 2013

		Consolidated		The Company	
	Notes	2013 $	2012 $	2013 $	2012 $
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		20,415,333	16,123,888	20,376,946	15,666,759
Payments to suppliers and employees		(20,639,350)	(11,086,865)	(20,441,840)	(10,928,979)
Interest received		674,326	791,397	650,535	770,480
Net cash provided by operating activities	17b	**450,309**	**5,828,420**	**585,641**	**5,508,260**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for plant and equipment		(36,723)	(67,658)	(36,723)	(67,658)
Proceeds from sale of plant and equipment		36,818	41,315	36,818	41,315
Proceeds from sale of available-for-sale financial assets		-	10	-	10
Net cash used in investing activities		**95**	**(26,333)**	**95**	**(26,333)**
Net increase in cash and cash equivalents held		450,404	5,802,087	585,736	5,481,927
Cash and cash equivalents at beginning of financial year		16,994,683	11,192,596	16,224,331	10,742,404
Cash and cash equivalents at the end of the financial year	17a	**17,445,087**	**16,994,683**	**16,810,066**	**16,224,331**

The Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

Notes to and forming part of the Financial Statements Year ended 30 June 2013

1. Summary of Significant Accounting Policies

(a) Statement of compliance

The financial report is a general-purpose financial report for the period ending 30 June 2013, which has been prepared in accordance with Australian Accounting Standards, including interpretations (AASs) and the *Corporations Act 2001.* AASs include Australian equivalents to International Financial Reporting Standards.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 22.

(b) Reporting Entity

The financial statements cover the Agriculture Victoria Services Pty Ltd (the Company) as an individual reporting entity. The Company is a private company, established on 25 June 1986. Its principal address is: 475 Mickleham Road Attwood, Victoria, 3049.

The significant accounting policies adopted in the preparation of the financial statements are as follows:

(c) Basis of preparation

The financial report is presented in Australian dollars, the functional and presentation currency of the Company.

The financial report has been prepared on an accruals basis and is based on historical cost with the exception of long term employee benefit provisions which are stated at the present value of estimated future cash flows and the revaluation of selected financial instruments for which the fair value basis of accounting has been applied.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The Company has consistently applied these accounting policies.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

- the fair value of plant and equipment, (refer to Note 1(Ni));
- the fair value of intangible assets, (refer to Note 1(N ii);
- actuarial assumptions for employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(N)).

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2013, the comparative information for the year ended 30 June 2012.

(d) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the Government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Balance Sheet

Items of assets and liabilities in the balance sheet are:

- Ranked in liquidity order;
- Aggregated into financial and non-financial assets;
- Current versus non-current assets and liabilities are disclosed in the notes where relevant.

Statement of Changes in Equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the year to the closing balance at the end of the year, showing separately movements due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions with owners in their capacity as owners.

(d) Scope and presentation of financial statements

Cash Flow Statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 Statement of Cash Flows.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

1. Summary of significant accounting policies continued

(d) Scope and presentation of financial statements continued

Rounding of Amounts

Amounts in the financial statements (including the notes) have been rounded to the nearest thousand dollar, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

(e) Comparative figures

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

(f) Principles of consolidation

Agriculture Victoria Services Pty Limited has applied the relief under Class Order – CO 10/654 "inclusion of parent entity financial statements in financial reports" allowing it to present the consolidated financial statements to include the parent entity financial statements as part of the full financial report.

Controlled entities

A controlled entity is any entity that the Company has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases. Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Details of controlled entities are contained in Note 20 to the financial statements. All controlled entities have a June financial year end.

Jointly Controlled Entities

A jointly controlled entity is a joint venture that involves the establishment of a corporation in which each venture has an interest. A contractual arrangement between the ventures establishes joint control over the economic activity of the entity.

Investments in jointly controlled entities are accounted for in the consolidated financial statements using proportionate consolidation. The Company's share of each of the assets, liabilities, income and expense of the jointly controlled entity are combined with similar items in its consolidated financial statements.

Details of jointly controlled entities are contained in note 21 to the financial statements. All jointly controlled entities have a June financial year end.

Transactions eliminated on consolidation

Unrealised gains and losses and inter-entity balances resulting from transactions with or between controlled entities are eliminated in full on consolidation.

Unrealised gains resulting from transactions with associates, including those relating to contributions of non-monetary assets on establishment, are eliminated to the extent of the consolidated entity's interest. Unrealised gains relating to associates are eliminated against the carrying amount of the investment. Unrealised losses are eliminated in the same way as unrealised gains, unless they evidence recoverable amount impairment.

(g) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(h) Income tax

Agriculture Victoria Services Pty Ltd is a company wholly owned by the State Government of Victoria. The company and its controlled entities are exempt from income tax under Sec 24AO I.T.A.A. and as such does not adopt tax effect accounting.

(i) Income from transactions

Amounts disclosed as income from transactions are recognised to the extent that it is probable that the economic benefits will flow to the Company, can be reliably measured and, where applicable, net of returns, allowances and duties and taxes. Income is recognised for each of the Company's major activities as follows:

- Income from the provision of services is recognised upon delivery of the services to the customer.
- Interest income is recognised as it accrues, taking into account the effective yield on the financial asset and includes interest received on term deposits and other investments.
- Royalty income is recognised at the point cash is received from the licensee as it cannot be reliably accounted for in the period it was earned.
- Grant monies are recognised at the point cash is received from the grant authority.

(j) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate. Expenses are recognised for each of the Company's major activities as follows:

- Employee expenses
- Depreciation and amortisation expense
- Contract research and development project expense
- Royalty expense
- DPI research programmes; and
- Other expenses incurred in normal operations

(k) Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

1. Summary of significant accounting policies continued

Net gain/(loss) on non-financial assets

Net gain/ (loss) on non-financial assets and liabilities includes realised and unrealised gains and losses from revaluations, impairments, and disposals of all physical assets and intangible assets.

Disposal of non-financial assets

Any gain or loss on the sale of non-financial assets is recognised at the date that control of the asset is passed to the buyer and is determined after deducting from the proceeds the carrying value of the asset at that time.

Net gain/ (loss) on financial instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposal of financial assets.

Revaluation of financial instruments at fair value

The revaluation gain/ (loss) on financial instruments at fair value excludes dividends or interest earned on financial assets, which is reported as part of income from transactions.

Impairment of financial assets

Bad and doubtful debts are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The allowance for doubtful receivables and bad debts not written off by mutual consent are adjusted as "other economic flows"

Other gain/ (losses) from other economic flows

Other gain/(losses) from other economic flows include the gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present value of the long service leave liability due to changes on the bond interest rates.

(l) Impairment of assets

Intangible assets with indefinite useful lives (and intangible asset not yet available for use or commercialise) are tested annually for impairment (i.e. as to whether their carrying value exceeds their recoverable amount, and so require write-downs) and whenever there is an indication that the asset may be impaired.

All other assets of the company are assessed annually for indication of impairment. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount.

The recoverable amount of most assets is measured at the higher of the depreciated replacement cost and fair value less cost to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less cost to sell. It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made.

Where an asset's carrying value exceeds its recoverable amount, the difference is recognised as an impairment loss as another economic flow in the Comprehensive Operating Statement, except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of assets.

(m) Financial assets

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, cash in banks and deposits subject to an insignificant risk of changes in value and that are held for less than 90 days.

(ii) Receivables

Receivables consist of:

- Contractual receivables, which include mainly debtors in relation to goods and services and accrued income. Trade debtors are recognised at the amounts receivable, as they are due for settlement no more than thirty days from the date of recognition, and
- Statutory receivables, which include predominately GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(ii) Available-for-sale

Equity investments held by the Company are classified as available-for-sale and, in the absence of a quoted market that would enable fair value to be reliably measured, initially valued at cost.

Where an active market exists, available-for-sale assets are measured at fair value. Unrealised gains and losses arising from changes in fair value are recognised directly in equity until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in profit or loss for the period.

Fair value is determined directly by reference to current published bid prices in an active market.

The assets are reviewed annually to determine whether there is any indication of impairment (refer to note 1(l)).

(n) Non-Financial assets

(i) Plant and equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at Fair Value less accumulated depreciation and if applicable, impairment losses (refer to note 1 (l)).

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

1. Summary of significant accounting policies continued

(i) Plant and equipment **continued**

Depreciation is provided on plant and equipment on a straight line or reducing balance basis and charged to the comprehensive operating statement so as to write off the net cost of the asset over its useful life.

The depreciation rates used in the current and comparative financial years for plant and equipment range between 20% and 50% per annum.

(ii) Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefit will flow to the Company.

Intangible assets with finite useful lives are amortised on a straight-line basis over the asset's useful life. Intangible assets with infinite useful lives are not amortised. The useful lives of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition the Company tests all intangible assets with indefinite useful lives for impairment by comparing its recoverable amount with its carrying amount.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

An internally generated intangible asset arising from development expenditure is recognised as an asset in the balance sheet if, and only if, all of the following are demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) the intention to complete the intangible asset and use or sell it;

(c) how the intangible asset will generate probable future economic benefit;

(d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

(e) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amortisation rates used in the current and comparative year range between 6% and 12% per annum.

(o) Liabilities

Accounts payable

Accounts payable consists of:

- Contractual payables, such as trade payables and other accounts payable which are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are normally settled within 30 days.
- Other, such as unearned revenue which represents income in advance for good and services that are yet to be supplied.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost.

Provisions

A provision is recognised in the Balance Sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Current Liabilities salaries, annual leave and unconditional LSL

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement and are recognised as current liabilities.

All annual leave and unconditional vested long service leave representing seven years or greater continuous service is disclosed in accordance with AASB 101, as a current liability even where the Company does not expect to settle the liability within 12 months, as it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within this period. Current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

Non Current Liabilities – conditional LSL

Long service leave accrued from less than seven years of continuous service is disclosed in accordance with AASB 101 as a non current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non current LSL liability is measured at present value.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

1. Summary of significant accounting policies continued

(o) Liabilities continued

Superannuation

Contributions are made by the Company to defined contribution employee superannuation funds and are charged as expenses when incurred.

(p) Change in accounting estimate – Prior Year

In 2011-12 the Company determined that the prior year impairment loss in the Primary Oilseeds investment shall be reversed. This was established by the future economic benefits to be generated by the investment and resulted in a net gain on non financial assets of $255,315. Amortisation expense in future periods is expected to be $188,335.

(q) Foreign currency

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 at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

(r) Leases

Neither the Company nor its controlled entities have entered into any finance leases. Operating lease payments, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(s) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 13) at their nominal value and inclusive of the goods and services tax (GST) payable.

(t) Contingent Liabilities

Contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 14) and, if quantifiable, are measured at nominal value. Contingent liabilities are presented inclusive of GST payable respectively.

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting period. Agriculture Victoria Services Pty Ltd assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2013, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2013. Agriculture Victoria Services Pty Ltd has not, and does not intend to, adopt these standards early. Agriculture Victoria Services Pty Ltd expects that the application of the said standards in the following year will have an insifnificaant impact on the financial statements.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

2. Income from transactions

		Consolidated		The Company	
		2013	2012	2013	2012
		$	$	$	$
(a)	**Income from continuing operations**				
	Rendering services	12,328,316	12,567,683	12,353,244	12,582,856
	Royalty income	6,257,012	4,651,650	6,257,012	4,288,552
		18,585,328	17,219,333	18,610,256	16,871,408
(b)	**Interest**				
	Interest from financial assets not at fair value	668,745	795,774	645,813	774,089
(c)	**Grants**	20,600	-	-	-
	Total income from transactions	19,274,673	18,015,106	19,256,069	17,645,497

3. Expenses from transactions

	Consolidated 2013 $	Consolidated 2012 $	The Company 2013 $	The Company 2012 $
Expenses from continuing activities				
Depreciation	24,830	29,577	24,830	29,577
Amortisation	243,884	180,634	243,884	180,634
Employee expenses	448,665	383,862	448,665	383,862
Audit services	67,461	55,710	59,255	49,960
Operating lease rentals	62,700	110,977	62,700	110,977
Contract research and development project expenses	11,146,746	11,706,761	10,971,746	11,681,761
Royalty expenses	4,859,882	3,466,000	4,859,882	3,466,000
DPI research programs	6,428	86,692	6,428	86,692
Other expenses from continuing activities	1,218,094	823,104	1,212,522	758,597
Total expenses from transactions	18,078,690	16,843,317	17,889,912	16,748,060

4. Other economic flows included in net results

		Consolidated 2013 $	Consolidated 2012 $	The Company 2013 $	The Company 2012 $
(a)	**Net gain/(loss) on non-financial assets**				
	Net gain/(loss) on disposal of plant and equipment	1,910	6,403	1,910	6,403
	Reversal of prior year impairment of intangible assets	-	255,315	-	255,315
		1,910	261,718	1,910	261,718
(b)	**Net gain/(loss) on financial instruments**				
	Impairment of available for sale financial assets	-	-	-	(21,981)
	Net gain arising from sale of investments in associates	-	10	-	(39)
	Net Fx loss arising from cash and cash equivalents	-	9,975	-	-
		-	9,985	-	(22,020)
(c)	**Other gain /(losses)from other economic flows**				
	Net gain/(loss) arising from revaluation of long service leave liability	17	(1,729)	17	(1,729)

Notes to and forming part of the Financial Statements Year ended 30 June 2013

5. Auditors remuneration

	Consolidated		The Company	
	2013	2012	2013	2012
	$	$	$	$
Audit Services				
Victorian Auditor General's Office				
Audit of the financial report	36,800	35,850	30,900	30,100
PKF Chartered Accountants and Business Advisors				
Audit of jointly controlled entity	2,306	2,306	-	-
	39,106	38,156	30,900	30,100
Internal Audit Services				
HLB Mann Judd Pty Ltd	28,355	19,860	28,355	19,860
	67,461	58,016	59,255	49,960

6. Trade and other receivables

	Consolidated 2013 $	Consolidated 2012 $	The Company 2013 $	The Company 2012 $
Current				
Contractual				
Trade receivables and prepayments	210,233	2,903,604	210,233	2,850,834
Provision for doubtful receivables	(1,114)	(1,114)	(1,114)	(1,114)
Sundry debtors and accruals	128,926	145,685	127,799	143,698
Amounts owed from related entities	329,992	221,684	344,527	273,080
	667,967	3,269,859	681,445	3,266,498
Statutory				
GST Input tax credit recoverable	488,731	97,468	481,374	96,271
Total current receivables	1,156,698	3,367,327	1,162,819	3,362,769

(a) Ageing analysis of receivables

Please refer to table 19.2 in note 19 for the aging analysis of receivables.

(b) Nature and extent of risks arising from receivables

Please refer to Note 19 for the nature and extent of risk arising from receivables.

7. Other financial assets

	Consolidated 2013 $	Consolidated 2012 $	The Company 2013 $	The Company 2012 $
Non-current				
Available-for-sale				
Investments in unlisted controlled entities at cost (1)	-	-	855,002	855,002
Investments in unlisted jointly controlled entities at cost (2)	-	-	-	21,982
Accumulated Impairment losses in unlisted jointly controlled entities	-	-	-	(21,982)
Total investments in unlisted jointly controlled entities at cost	-	-	-	-
	-	-	855,002	855,002

Notes

(1) Investment in wholly owned subsidiary & controlled entity Phytogene Pty Ltd. Refer also to note 20.

(2) Investment in jointly controlled entity Gramina Pty Ltd. Refer also Note 21.

(a) Ageing analysis of other financial assets

Refer to table 19.2 in note 19 for the aging analysis of other financial assets.

(b) Nature and extent of risks arising from other financial assets

Refer to Note 19 for the nature and extent of risks arising from other financial assets.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

8. Plant and equipment

Table 8.1 Carrying amounts

	2013 $	2012 $
Plant, equipment and vehicles at fair value	77,268	100,283

Table 8.2 Gross Carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carring amount	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Plant, equipment and vehicles at fair value	107,268	139,382	30,000	39,099	77,268	100,283

Movements in fair value were not material for a full revaluation

Table 8.3 Movements in carrying amounts

	Plant, equipment and vehicles at fair value	
	2013 $	2012 $
Opening Balance	**100,283**	**97,114**
Additions	36,723	67,658
Disposal	(34,908)	(34,912)
Depreciation	(24,830)	(29,577)
Closing Balance	**77,268**	**100,283**

This reconciliation represents both for the company and the consolidated entity, as the subsidiary does not hold any assets.

9. Intangible assets

	Oilseed Development Programme (a)		Juncea Oilseeds (a)		HOLL Oilseeds (a)		Computer Software		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Gross carrying amount										
Opening balance	1,506,677	1,506,677	560,000	560,000	300,000	300,000	15,796	15,796	2,382,473	2,382,473
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing balance	1,506,677	1,506,677	560,000	560,000	300,000	300,000	15,796	15,796	2,382,473	2,382,473
Accumulated amortisation and impairment										-
Opening balance	(753,338)	(883,720)	(122,292)	(88,600)	(65,424)	(47,375)	(6,578)	(2,618)	(947,632)	(1,022,313)
Amortisation	(188,335)	(124,933)	(33,600)	(33,692)	(18,000)	(18,049)	(3,949)	(3,960)	(243,884)	(180,634)
Reversal of impairment losses	-	255,315	-	-	-	-	-	-	-	255,315
Closing balance	941,673	753,338	155,892	122,292	83,424	65,424	10,527	6,578	1,191,516	947,632
Net book value at end of financial year	565,004	753,339	404,108	437,708	216,576	234,576	5,269	9,218	1,190,957	1,434,841

Notes

This reconciliation represents both for the company and the consolidated entity, as the subsidiary does not hold any assets.

(a) *The Oilseeds, Juncea and Holl development programs represent internally generated intangible assets that have arisen from development expenditure.*

Notes to and forming part of the Financial Statements Year ended 30 June 2013

10. Trade and other payables

	Consolidated		The Company	
	2013 $	2012 $	2013 $	2012 $
Current				
Contractual				
Trade payables	207,155	278,823	197,109	244,690
Other trade payables and accrued expenses	336,032	393,456	329,775	368,068
Trade Payables due to associated entity	-	-	20,625	36,668
Trade payables due to Department of Environment and Primary Industries	8,295,360	9,236,596	8,204,110	9,196,684
	8,838,547	9,908,875	8,751,619	9,846,110
Other				
Unearned Revenue	-	2,165,555	-	2,165,555
Total Current Liabilities	8,838,547	12,074,430	8,751,619	12,011,665

(a) Maturity analysis of trade and other payables

Please refer to table 19.3 in Note 19 for the aging analysis of trade and other payables

(b) Nature and extent of risk arising from trade and other payables

Please refer to Note 19 for the nature and extent of risks arising from trade and other payables.

11. Provisions

Current Employee Benefits				
Unconditional and expected to be settled within 12 months	32,076	13,088	32,076	13,088
Unconditional and expected to be settled after 12 months	106,326	116,291	106,326	116,291
	138,402	129,379	138,402	129,379
Employee Benefit On-Costs				
Unconditional and expected to be settled within 12 months	-	-	-	-
Unconditional and expected to be settled after 12 months	11,061	11,343	11,061	11,343
	11,061	11,343	11,061	11,343
Total current employee benefits	149,463	140,722	149,463	140,722
Non Current Employee Benefits				
Conditional and expected to be settled after 12 months	3,644	1,739	3,644	1,739
Employee Benefit On-Costs				
Conditional and expected to be settled after 12 months	379	176	379	176
Total non current employee benefits	4,023	1,915	4,023	1,915
Current Employee Benefits				
Salaries accrued (a)	14,946	13,088	14,946	13,088
Annual leave (a)	17,130	26,260	17,130	26,260
Unconditional long service leave (b)	106,326	90,031	106,326	90,031
	138,402	129,379	138,402	129,379
Non Current Benefits				
Conditional long service leave (b)	3,644	1,739	3,644	1,739
Total Employee Benefits	**142,046**	**131,118**	**142,046**	**131,118**
Current on-costs	11,061	11,343	11,061	11,343
Non current on-costs	379	176	379	176
Total on-costs	**11,440**	**11,519**	**11,440**	**11,519**
Total employee benefits and on-costs	**153,486**	**142,637**	**153,486**	**142,637**

(a) The amounts disclosed are nominal amounts

(b) The amounts disclosed are discounted to present value

Notes to and forming part of the Financial Statements Year ended 30 June 2013

12. Directors and executives remuneration

The name of each person holding the position of director of the Company during the financial year are

Dr CL Noble (Chairman)	1 July 2012 to 30 June 2013	Dr JM Slocombe	1 July 2012 to 30 June 2013
Mr P Turvey	13 July 2012 to 30 June 2013	Dr B Kefford	1 July 2012 to 30 June 2013
Ms KH Adams	1 July 2012 to 30 June 2013	Dr GF Mitchell	1 July 2012 to 31 July 2012
Mr A Christianen	1 July 2012 to 30 June 2013		

Directors Benefits

No director of the company, since the end of the previous financial year, received or became entitled to receive a benefit other than benefits disclosed in the financial statements, or the fixed salary of a full-time employee of the Company or a related corporation by reason of a contract made by the Company or a related corporation with the director or with a firm of which that person is a member, or with a company in which that person has a substantial financial interest.

(a) Income received or due and receivable by directors' of the Company and controlled entities from the Company and any related party:

	Consolidated		The Company	
	2013 $	2012 $	2013 $	2012 $
- Fees	62,356	59,576	62,356	59,576
- Retirement Benefits	5,612	5,362	5,612	5,362

(b) The number of directors who received remuneration from the company and controlled entities are shown in the following bands.

$0 - $9,999	4	4	3	3
$10,000 - $19,999	4	4	4	4

Company policy is not to pay fees to Directors currently employed by the Victorian Public Service.

Executive Benefits

The persons who held the position of accountable officer in the Company is as follows:

Mr Bruce Lang C.E.O 1 July 2012 to 30 June 2013

Other than the accountable officer, there were no other executives of the Company or controlled entities who received remuneration from the Company or related entities. Remuneration received or receivable by the accountable officer in connection with the management of the Company during the reporting period was in the range of $170,000 - $179,999 ($170,000 - $179,999 in 2011-12).

Notes to and forming part of the Financial Statements Year ended 30 June 2013

13. Expenditure committments

(a) Investment Expenditure Commitments:
There are no investment expenditure commitments as at the 30 June 2013.

(b) Capital commitments
There are no capital commitments as at the 30 June 2013.

14. Contingent liabilities

There are no contingent liabilities as at the 30 June 2013.

15. Segment reporting

The company and its controlled entities operate predominantly in the agricultural and allied industries within Australia

16. Related party disclosure

Details of the directors' remuneration and retirement benefits are set out in Note 12.
Other than where set out in Note 12, there were no transactions of a financial nature between the Company and its directors during the reporting period.

No director has entered into a contract with the Company 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 the Company.

The Company 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, 2013 the Victorian Government Department of Environment and Primary Industries was the major supplier of services to the Company. These services were provided on a normal commercial basis. The value of transactions between the Company and related parties for the financial year were as follows:

	Consolidated		The Company	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Revenues				
Received from DEPI	906,169	823,273	906,169	823,273
Received from wholly owned controlled entities	-	-	26,990	3,760
Received from jointly controlled entities	-	-	39,525	56,744
Expenses				
Paid to DEPI	13,035,294	13,340,511	12,874,030	13,300,599
Paid to wholly owned controlled entities	-	-	75,000	-
Paid to jointly controlled entities	-	-	18,650	33,335

Notes to and forming part of the Financial Statements Year ended 30 June 2013

17. Statement of cash flows

(a) For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call, net of outstanding overdraft. Cash at end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance sheet as follows:

	Consolidated		The Company	
	2013 $	2012 $	2013 $	2012 $
Cash at bank and on hand	203,869	90,214	162,134	78,291
Deposits at call	1,935,304	7,937,914	1,812,018	7,649,486
Deposits < 30 days	15,305,914	8,966,555	14,835,914	8,496,554
Cash and cash equivalents	17,445,087	16,994,683	16,810,066	16,224,331

(b) Reconciliation of net cash provided by operating activities to net result for the year :

Net Result	1,197,911	1,441,764	1,368,084	1,135,406
Adjustments for non cash income and expense items				
Depreciation and amortisation	268,714	210,211	268,714	210,211
Loss/(Gain) on disposal of plant and equipment	(1,910)	(6,403)	(1,910)	(6,403)
Loss/(Gain) on sale of available-for-sale financial assets	-	(10)	-	39
Impairment (loss)/reversal on other financial assets	-	(255,315)	-	(255,315)
Changes to Assets, Liabilities and Equity				
(Increase)/decrease in assets				
Receivables	2,210,629	(2,856,835)	2,199,950	(2,859,764)
Increase/(decrease in liabilities)				
Payables	(3,235,883)	7,270,489	(3,260,046)	7,237,586
Provisions	10,849	24,519	10,849	24,519
Net cash from operating activities	450,309	5,828,420	585,641	5,508,260

18. Superannuation

The company made contributions on behalf of its employees to the VicSuper superannuation scheme during the 2012/13 year. Contributions were determined as a percentage of employees gross salary to ensure that, at a minimum, the company met its statutory obligations. Additional contributions were also made by way of salary sacrifice at amounts nominated by employees.

There were no unfunded liabilities at the 30 June 2013, no contributions were outstanding at the end of the year nor were there any loans to the entity from the scheme.

Contributions to superannuation were as follows:

	Consolidated		The Company	
	2013 $	2012 $	2013 $	2012 $
Direct Focus	1,403	1,256	1,403	1,256
Hesta	1,403	1,256	1,403	1,256
HostPlus	1,179	-	1,179	-
Katto	1,288	-	1,288	-
MLC	-	1,323	-	1,323
REST	-	112	-	112
Super Wrap	1,518	2,737	1,518	2,737
VicSuper	43,156	54,327	43,156	54,327

19. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

Table 19.1 Categorisation of financial instruments for the consolidated entity

Financial asset	Note	Category	Consolidated Carrying amount 2013 $	Consolidated Carrying amount 2012 $	Company Carrying amount 2013 $	Company Carrying amount 2012 $
Cash and cash equivalents	17a	Cash	17,445,087	16,994,683	16,810,066	16,224,331
Trade and other receivables	6	Loans and receivables (at amortised cost)	667,967	3,269,859	681,445	3,266,498
Other financial assets	7	Available for sale financial assets (at fair value)	-	-	855,002	855,002

Financial liabilities	Note	Category	Consolidated Carrying amount 2013 $	Consolidated Carrying amount 2012 $	Company Carrying amount 2013 $	Company Carrying amount 2012 $
Trade and other payables	10	Financial liabilities (at amortised cost)	8,838,547	9,908,875	8,751,619	9,846,110

The Carrying amounts disclosed exclude statutory amounts.

(a) Credit Risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The consolidated entity's exposure to credit risk arises from the potential default of counter party on their contractual obligations resulting in financial loss to the consolidated entity.

Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with the consolidated entity's financial assets is minimal because the main debtor is the Department of Primary Industries and Environment (DEPI). For debtors other than DEPI, it is the consolidated entity's policy to only deal with entities with high credit ratings and or to obtain sufficient collateral or credit enhancements where appropriate.

The consolidated entity does not have any material credit risk exposure to any single debtor or group of debtors. In addition, the consolidated entity does not engage in hedging for its financial assets.

Provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings.

The entity's maximum exposure to credit risk without taking into account the value of any collateral obtained is the carrying amount of financial assets as detailed in table 19.1

Financial assets that are either past due or impaired

Impaired financial assets are detailed in table 19.2. Currently the consolidated entity does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

19. Financial instruments continued

Table 19.2 Interest rate exposure and aging analysis of financial assets for the consolidated entity

2013	Weighted average effective interest rate %	Carrying amount	Interest rate exposure: Fixed interest rate	Interest rate exposure: Variable interest rate	Interest rate exposure: Non interest bearing	Not past due and not impaired	Past due but not impaired: 1- 3 months	Past due but not impaired: 3 months - 1 year	Past due but not impaired: > 1 year	Impaired financial assets
Cash at bank	0.04	203,869	-	203,869	-	203,869	-	-	-	-
Deposits at call	2.75	1,935,304	-	1,935,304	-	1,935,304	-	-	-	-
Deposits < 30 days	3.01	15,305,914	470,000	14,835,914	-	15,305,914	-	-	-	-
Trade and other receivables	-	667,967	-	-	667,967	591,857	54,970	22,000		
		18,113,054	470,000	16,975,087	667,967	18,036,944	54,970	22,000	-	-
2012										
Cash at bank	0.04	90,214	-	90,214	-	90,214	-	-	-	-
Deposits at call	3.45	7,937,914	-	7,937,914	-	7,937,914	-	-	-	-
Deposits < 90 days	4.03	8,966,555	2,759,481	6,207,074	-	8,966,555	-	-	-	-
Trade and other receivables	-	3,269,859	-	-	3,269,859	3,029,794	227,622	10,437	892	1,114
		20,264,541	2,759,481	14,235,202	3,269,859	20,024,476	227,622	10,437	892	1,114

The Carrying amounts disclosed exclude statutory amounts.

(b) Liquidity Risk

Liquidity risk arises when the consolidated entity is unable to meet its financial obligations as they fall due. The consolidated entity operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets. The consolidated entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from cash and cash equivalents.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities except as detailed in the following table 19.2.

The following table discloses the contractual maturity analysis for the consolidated entity's financial liabilities.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

19. Financial instruments continued

Table 19.3 Interest rate exposure and maturity analysis of financial liabilities for the consolidated entity

			Interest rate exposure				Maturity dates			
2013	Weighted average effective interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing	Nonimal Amount	Current	1 - 3 months	3 months - 1 year	> 1 year
Trade payables	-	207,155	-	-	207,155	207,155	205,469	1,356	330	-
Trade payables due to DEPI	-	8,295,360	-	-	8,295,360	8,295,360	8,193,285	102,074	-	
Trade payable due to associated entity	-	-	-	-	-	-	-	-	-	-
Other trade payables and accrued expenses	-	336,032	-	-	336,032	336,032	336,032	-	-	-
		8,838,547	-	-	8,838,547	8,838,547	8,734,786	103,430	330	-
2012										
Trade payables	-	278,823	-	-	278,823	278,823	136,053	142,770	-	-
Trade payables due to DEPI	-	9,236,596	-	-	9,236,596	9,236,596	8,971,836	251,560	13,200	-
Trade payables due to associated entity	-	-	-	-	-	-	-	-	-	-
Other trade payables and accrued expenses	-	393,456	-	-	393,456	393,456	393,456			-
	-	9,908,875	-	-	9,908,875	9,908,875	9,501,345	394,330	13,200	-

(c) Market risk

The consolidated entity's exposures to market risk are primarily through interest rate risk with only insignificant exposure to foreign currency and other price risks. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below.

Foreign currency risk

The consolidated entity manages its risk through continuous monitoring of movements in exchange rates, ensuring availability of funds through rigorous cash flow planning and monitoring. In the past it has been deemed unnecessary for the consolidated entity to enter into any hedging arrangements to manage foreign currency risk. However, given that the consolidated entity anticipates an increase in transactions resulting in foreign exchange, this position is being re-evaluated.

The consolidated entity's exposure to foreign currency risk is set out in the Table 19.4.

Interest rate risk

Exposure to interest rate risk is insignificant as the consolidated entity does not have any interest bearing liabilities. The consolidated entity's interest bearing assets are invested in low risk investments with institution that have strong credit ratings. The majority of the consolidated entity's interest bearing assets are invested with Treasurary Corporation Victoria. The consolidated entity's exposure to interest rate risk is set out in the Table 19.4.

Other price risk

The consolidated entity currently has no exposure to price rate risk.

19. Financial instruments continued

Table 19.4 Market risk exposure for the consolidated entity

2013	Carrying amount	Foreign exchange risk				Interest rate risk			
		15%		+15%		-1%		+1%	
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
Financial assets									
Cash and cash equivalents	17,445,087	-	-	-	-	(174,450)	(174,450)	174,450	174,450
Trade and other receivables	667,967	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	9,908,875	(203)	(203)	203	203	-	-	-	-
Total increase/(decrease)		(203)	(203)	203	203	(174,450)	(174,450)	174,450	174,450

2012	Carrying amount	Foreign exchange risk				Interest rate risk			
		-5%		+15%		-2%		+2%	
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
Financial assets									
Cash and cash equivalents	16,994,683	-	-	-	-	(169,947)	(169,947)	169,947	169,947
Trade and other receivables	3,269,859	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	9,908,875	-	-	-	-	-	-	-	-
Total increase/(decrease)		-	-	-	-	(169,947)	(169,947)	169,947	169,947

Table 19.4 discloses the impact on net operating result and equity for each of the financial instruments held by the consolidated entity at year -end as presented to key management personnel, if the movements were to occur.

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the consolidated entity believes the following movements are 'reasonably possible' over the next 12 months

- A shift of +1 per cent and -1 per cent in market interest rates (AUD) from year-end rates of 1.7 per cent;
- Proportional exchange rate movement of -15 per cent (depreciation of AUD) and +15 per cent (appreciation of AUD)

The results of the sensitivity analysis in relation to the exposure to interest rate risk represents the (decrease) increase estimated in the interest revenue to be received in the forthcoming financial year.

(d) Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Statement of Financial Position and in the Notes to the Financial Statements.

The carrying value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their net fair value. No financial assets and financial liabilities are readily traded on organised markets. There are nofinancial assets for which the carrying amount exceeds the net fair value.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

19. Financial instruments continued

Table 19.5 Comparison between carrying amount and fair value

	Carrying amount 2013	Fair value 2013	Carrying amount 2012	Fair value 2012
Financial Assets	**$**	**$**	**$**	**$**
Cash at bank	203,869	203,869	90,214	90,214
Deposits at call	1,935,304	1,935,304	7,937,914	7,937,914
Deposits < 30 days	15,305,914	15,305,914	8,966,555	8,966,555
Trade and other receivables	667,967	667,967	3,367,327	3,367,327
Total Financial Assets	**18,113,054**	**18,113,054**	**20,362,010**	**20,362,010**
Financial Liabilities				
Trade payables	207,155	207,155	278,823	278,823
Trade payables due to DPI	8,295,360	8,295,360	9,236,596	9,236,596
Other trade payables and accrued expenses	336,032	336,032	393,456	393,456
Total Financial Liabilities	**8,838,547**	**8,838,547**	**9,908,875**	**9,908,875**

The Consolidated Entity does not carry any financial assets classified as at fair value through the profit and loss.
The Consolidated Entity does not carry any financial liabilities classified as at fair value through the profit or loss.

20. Controlled entities

Particulars in relation to controlled entities:

	Ordinary Share Consolidated Entity Interest 2013	2012
	%	**%**
Parent entity		
Agriculture Victoria Services Pty Ltd		
Controlled entities		
Phytogene Pty Ltd (1)	100	100

(1) Phytogene Pty Ltd was incorporated on the 30th November, 2001 as a wholly owned subsidiary of the Company. Phytogene was established to further develop technologies related to delayed plant senescence that have been developed through research activities undertaken by the Department of Environment and Primary Industries. The operating results of the entity have been included in the consolidated operating profit contained within these financial statements.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

21. Jointly controlled entities

Particulars in relation to controlled entities:

	Ordinary Share Consolidated Entity Interest 2013	2012
	%	%
Gramina Pty Ltd (i)	50	50

(i) The Company acquired 50% of the capital in Gramina Pty Ltd on the 29 March 2011. Gramina Pty Ltd is an incorporated joint venture entity to develop superior pasture grass cultivars. The Shareholders met on the 14 June 2013 and resolved to wind the company up by way of de-registration. This is anticipated to occur early in 2013/14.

AVS's interests in asset, liabilities, income and expenses in Gramina Pty Ltd is detailed below. The amounts are included in the consolidated financial statements using the proportionate consolidation method under their respective categories.

	2013	2012
	$	$
Assets		
Financial		
Cash and cash equivalents	8	6,451
Trade and other receivables	1,069	89,108
Total assets	1,077	95,559
Liabilities		
Trade and other payables	-	73,597
Total liabilities	-	73,597
Net Assets	1,077	21,962
Equity		
Share capital	30,000	30,000
Accumulated surplus	(28,923)	(8,038)
Net Worth	1,077	21,962
Income from transactions		
Revenue from continuing operations	52,709	86,105
Interest	97	118
Total Income from transactions	52,806	86,222
Expenses from transactions		
Other expenses from continuing activities	73,691	86,223
Total expenses from transactions	73,691	86,223
Net result from transactions(net operating balance)	(20,885)	(1)

Contingent liabilities and capital commitments

Contingent liabilities and capital commitments arising from AVS's interest in jointly controlled entities are disclosed in Note 13 and 14 respectively.

Notes to and forming part of the Financial Statements Year ended 30 June 2013

22. Glossary

Amortisation
Amortisation is the expense which results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an other economic flow.

Associates
Associates are all entities over which an entity has significant influence but not control, generally accompanying a shareholding and voting rights of between 20 per cent and 50 per cent.

Borrowings
Borrowings refers to interest-bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest-bearing arrangements. Borrowings also include non-interest-bearing advances from government that is acquired for policy purposes.

Comprehensive result
The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other non-owner movements in equity.

Commitments
Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Depreciation
Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net' result from transaction'.

Financial asset
A financial asset is any asset that is:
(a) cash;
(b) an equity instrument of another entity;
(c) a contractual or statutory right:
- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

(d) a contract that will or may be settled in the entity's own equity instruments and is:
- a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial statements
Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

Interest income
Interest income includes received on bank term deposits and other investments.

Joint ventures
Joint ventures are contractual arrangements between AVS and one or more other parties to undertake an economic activity that is subject to joint control. Joint control only exists when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Net result
Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

Net result from transactions/net operating balance
Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth
Assets less liabilities, which is an economic measure of wealth.

Non-financial assets
Non-financial assets are all assets that are not 'financial assets'. It includes, plant and equipment, and intangible assets.

Other economic flows
Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. It includes:
- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- actuarial gains and losses arising from defined benefit superannuation plans;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

In simple terms, other economic flows are changes arising from market re-measurements.

Payables
Includes short and long term trade debt and accounts payable and taxes.

Receivables
Includes amounts owing through short and long term trade credit and accounts receivable, accrued income, and interest receivable.

Directors' Declaration

The Directors of the Company declare that:

(1) The financial statements and notes, as set out on pages 22 to 45 are in accordance with the *Corporations Act 2001*, and:

a) Comply with Australian Accounting Standards, which as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

b) Give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the consolidated entity.

(2) 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.

Director: Dr Clive Noble — Dated this 19th day of August 2013

Director: Dr Judith Slocombe — Dated this 19th day of August 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors, Agriculture Victoria Services Pty Ltd

The Financial Report

The accompanying financial report for the year ended 30 June 2013 of Agriculture Victoria Services Pty Ltd which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration has been audited. The financial report includes the consolidated financial statements of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as disclosed in note 20 to the financial statements.

The Board of Directors' Responsibility for the Financial Report

The Board of Directors of Agriculture Victoria Services Pty Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Corporations Act 2001*, and for such internal control as the Board of Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Corporations Act 2001* and *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a bas
for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*. I confirm that I have given to the Board of Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

Opinion

In my opinion, the financial report of Agriculture Victoria Services Pty Ltd is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its financial performance for the year ended on that date
b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Agriculture Victoria Services Pty Ltd for the year ended 30 June 2013 included both in the Agriculture Victoria Services Pty Ltd's annual report and on the website. The Board of Directors of Agriculture Victoria Services Pty Ltd are responsible for the integrity of the Agriculture Victoria Services Pty Ltd's website. I have not been engaged to report on the integrity of the Agriculture Victoria Services Pty Ltd's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

T.D.H

MELBOURNE
21 August 2013

for John Doyle
Auditor-General

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