Agriculture Victoria Services Pty Ltd

Annual Report 2016

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Contents

Cover photo acknowledgements:
Top left – One of two elite, new AVS pear varieties (Lanya®) bred by the Department and commercially licensed to Apple and Pear Australia Ltd (APAL) in 2015-16 (see page 14). Photograph provided courtesy of APAL.
Back Cover – Images of the Department's new computational system (BASC) launched at AgriBio in 2015-16. BASC provides an important innovation tool for the integrated mining and browsing of genetic, genomic and phenotypic data in AVS collaborations with private sector entities.

Glossary of terms

AVS	Agriculture Victoria Services Pty Ltd
BET	Biomass enhancement technology
Company ('the Company')	In reference to the Company: Agriculture Victoria Services Pty Ltd
CRC	Cooperative Research Centres are an Australian Government program designed to foster high-quality research to solve industry-identified problems.
Department ('the Department')	The State of Victoria's Department of Economic Development, Jobs, Transport and Resources.
Fungal endophyte	A fungus that lives within a plant, is naturally occurring and lives harmoniously with the host plant.
Genetic modification (or 'GM')	Genetic modification is a breeding method that involves the addition of a gene construct into a plant's own DNA sequence. An example of this approach is high energy ryegrass which contains additional copies of two genes that already exist in the perennial ryegrass plant.
Genome editing (or 'gene editing')	Genome editing is a precision breeding method that involves targeting changes to a plant's own DNA sequence by guiding the plant's DNA repair mechanism to make targeted modifications to the genome (while leaving no trace of the DNA constructs used to guide the genome modifications).
Genomic selection	A breeding method that provides a simple, accelerated and inexpensive approach to dissecting complex traits and estimating the breeding values of plants and animals, which translates to increased rates of genetic and performance gain for livestock.
Government	The whole of government for the State of Victoria
IP	Intellectual property
LXR®	Delayed plant leaf senescence technology. Pronounced 'Elixir'
NPV	Net present value
PBR	Plant Breeder's Rights. PBRs are exclusive commercial rights for a registered variety of plant. The rights are a form of intellectual property, like patents and trademarks, and are administered under the *Plant Breeder's Rights Act 1994.*
Phytogene	Phytogene Pty Ltd is a wholly owned subsidiary of AVS
R&D	Research and development
R,D&E	Research, development and extension
Trait	A characteristic caused by genetics (such as higher yielding crops or more fertile cows).

Company profile

History

This year Agriculture Victoria Services Pty Ltd (AVS) celebrated 30 years of service delivery on behalf of its shareholder and owner, the Government of Victoria.

The Company's collaborators and stakeholders value AVS as a specialist, professional entity responsible for the protection and commercialisation of novel technologies created by the leading biosciences and agriculture research undertaken by the Department of Economic Development, Jobs, Transport and Resources ('the Department').

Purpose

AVS's purpose is to help improve the productivity and competitiveness of Victorian farmers where a private sector route to market for Department research outputs is needed.

Through the provision of expert intellectual property management and technology commercialisation services, AVS helps maximise the adoption and impact of the Department's scientific research discoveries, technologies and capabilities. In doing so the Company plays a critical role in enabling the Victorian Government to meet its economic development and social objectives.

Objectives

AVS's strategic objectives reflect the growing depth, breadth and complexity of the Company's business. In this context AVS aims to fulfil its purpose by providing a professional and objective commercial interface to support the transfer of the Department's IP and scientific capabilities to the marketplace.

The strategic aspirations of AVS are expressed through its three strategic objectives:

1. To provide IP and commercial services to maximise the impact of Department technologies and research capabilities

2. To ensure the Department's IP and commercial risks are well-managed and the State's interests are protected

3. To enhance and accelerate the adoption of the Department's technologies with support from AVS investment

Company value

With the confidence of industry stakeholders and its public and private sector collaborators, AVS adds commercial value to leading-edge science to ensure benefits are delivered to farmers and to meet the objectives of its shareholder, the Victorian Government. AVS's value is demonstrated by:

- providing a specialist and unique entity structure to streamline the interface between the Department and the private sector
- maximising industry adoption and the impact of Department IP assets and research and development (R&D) capabilities
- ensuring the management of Department IP assets and R&D collaborations protects the interests of the State
- investing in Department technology inventions to enhance their value and accelerate industry adoption via the private sector.

Operating principles

AVS operates in accordance with the following fundamental principles in alignment with its strategic objectives and with Department policy and directives:

- AVS helps the Department determine the most appropriate route to market for its R&D discoveries (that is, public dissemination versus commercial pathway) to meet its objectives. AVS pursues a private sector route to market for the Department's R&D discoveries where economic and productivity outcomes for the State will be greater and more rapid than via public dissemination.
- Where an IP protection and commercial approach is pursued by AVS, the primary objective is always to maximise technology adoption by industry for the State's economic development. Financial returns are a secondary objective of AVS and are sought commensurate with fair and reasonable value attribution.
- AVS manages IP and conducts commercial collaborations consistent with Victorian Government policy and objectives.

Key stakeholders and collaborators

AVS is a self-funded entity relying on service fees and investment income to fund its operations and ensure the Company's ongoing viability.

The establishment and maintenance of strong relationships with stakeholders and collaborators is critical to the success of AVS. These include:

- Victorian Government
- Minister for Agriculture
- Department research branches:
  - Agriculture Research
  - Biosciences Research
- Department's office of Strategic Partnerships
- technology co-investors and joint IP equity holders
- research collaborators
- technology licensors and licensees
- contractors and suppliers.

Chairman's report

Agriculture Victoria Services Pty Ltd, its Board, management and employees are pleased to present the Company's annual report for the period ended 30 June 2016.

In 2015–16 AVS continued to demonstrate the Company's valuable contribution to helping improve the economic development and prosperity of Victoria's food and fibre industries, while meeting its corporate objectives and delivering a particularly strong annual financial result for the Company.

'During our 30th year since inception, AVS continued to demonstrate its sustained value by working constructively with the Department's agriculture portfolio and efficiently and effectively providing specialist IP and commercial capabilities to meet the Department's needs.'

The purpose of AVS is to provide a commercial interface between the Department and the private sector where the Department's discoveries and technologies require a commercial route to market in order to increase the productivity, profitability and competitiveness of our agricultural industries.

During our 30th year since inception, AVS continued to demonstrate its sustained value by working constructively with the Department's agriculture portfolio and efficiently and effectively providing specialist IP and commercial capabilities to meet the Department's needs.

The Department's service provision priorities were successfully delivered by AVS pursuant to the five-year service and funding level agreement, with this year being its second year of operation. The agreement specifies the Department's service delivery needs for the provision of our IP, technology commercialisation, legal and contract management expertise required for maximising uptake of the Department's scientific research outcomes while protecting the State's interests.

The 2015–16 year represented the first year of the Company's current three-year corporate plan, with a further strengthening of our value proposition to our key stakeholders. AVS has continued to deal with the Department, private sector R&D collaborators and technology licensees with impartiality, honesty and integrity, in full alignment with the State's IP policy and Company values and behaviours.

Several AVS investment projects made good progress during the past year: by generating solid commercial returns; by continuing to deliver new products to farmers; and by providing financial support to enable commercial proof of concept of Department-created inventions.

AVS also funded a new investment opportunity for the future benefit of dairy and wheat farmers aimed at developing elite new pasture and wheat varieties, with genetic improvement for any trait of value, enabled by genome-editing innovation.

The AVS corporate plan recognises the importance of our investment fund for enhancing and accelerating the adoption and impact of new technologies created through the Department's research. Funding is governed by an investment subcommittee of the Board and managed under the Company's investment policy.

The function of investing Company funds in the development and commercialisation of Department-created technologies has been a key role of AVS throughout our 30-year history.

The AVS investment fund is also foreshadowed to remain of high strategic importance to AVS and the Department in the future, particularly in the bridging of prospective gaps between technology outcomes from the Department's current R&D pipeline and private sector investment in product and service innovations for the economic development of the State.

In 2015-16, AVS continued to assist the Department in the context of emerging global agri-innovation trends, several of which the Department is already at the forefront:

- the emergence of integrated systems biology through the 'omics' revolution – characterised by rapid advances in precision breeding tools and technologies that deliver tailored, accelerated, precise crop design solutions (and that are challenging traditional definitions of 'GM')

- the continued emergence of the role of novel biologicals, microbiomes and associated symbiota in crop productivity and plant biosecurity
- increased consolidation in the innovation sector – as seen by major mergers and acquisitions between agbio life science companies, and in the formation of world-class research groups characterised by higher levels of collaboration between businesses, universities and public R&D agencies.

At the operational level, AVS continued to strengthen its engagement with the Department's research branches in 2015–16 by guiding, pursuing and maintaining appropriate IP protection and route-to-impact pathways for strategically important IP assets, to maximise their benefit to industry. The commercial and IP management skills of AVS remain essential in linking the Department's technology innovations and research capabilities through to farmers via capable private entities.

IP portfolio protection and management by AVS in 2015–16 has been well-supported by sound IP and licensee evaluation processes, underpinned by robust IP protection and commercialisation principles. The AVS IP portfolio is a strategically vital innovation asset of the Department. It comprises patent filings throughout the world of novel plant varieties, genetic traits, biologicals, designer endophytes, genomic selection methods and related technologies. The AVS IP portfolio is critical for fostering research innovation for industry benefits, by both the Department and its collaborators, particularly for dairy, grain, animal and horticultural producers in Australia.

The strategic collaboration between AVS, the Department (Biosciences Research) and Dow AgroSciences LLC continued to commercially validate novel, joint discoveries for improved, accelerated, precision breeding of target crops, for which AVS has research and commercialisation rights in Australia. These rights are now being used to develop products in crops of strategic relevance to Australia, such as valuable new breeding tools and plant variety innovations for the benefit of local dairy, canola and wheat farmers.

The strong performance of the Company in 2015–16 shows that AVS remains very well positioned to continue to add value to the Department's leading-edge science, and to remain as a trusted partner of Department stakeholders, commercial partners and the Victorian Government.

In the past year Bruce Lang retired as CEO of the Company. For many years Bruce's expertise and leadership made an outstanding contribution to the performance and reputation of AVS and the Board and staff are extremely grateful to him. Following a competitive selection process, the Board appointed David Liesegang as CEO. David brings extensive experience and success in IP identification, management and commercialisation, together with strong stakeholder management and staff leadership. The Board looks forward to further success with David at the helm.

Finally, I would like to express my sincere appreciation to my fellow directors and the management and staff of AVS for their dedication during the year in further consolidating the role, performance and reputation of AVS.

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd

Chief Executive Officer's report

In 2015–16 AVS delivered IP and commercialisation services of high value and relevance to the Department of Economic Development, Jobs, Transport and Resources. The Company achieved this by successfully transferring Department technologies to the private sector to maximise their adoption and impact, and by effectively supporting the delivery of Department scientific capability through commercial research collaborations.

'The AVS corporate plan recognises the benefits of AVS's unique entity structure and the Company's role in providing a commercial interface between the Department and the private sector.'

The AVS corporate plan recognises the benefits of AVS's unique entity structure and the Company's role in providing a commercial interface between the Department and the private sector. Fundamental to the AVS corporate plan is the need for AVS to maximise industry uptake of Department IP assets and research outcomes in a way that protects the interests of the Victorian Government and key stakeholders.

The Company's three strategic objectives reflect the growing depth, breadth and complexity of our IP portfolio. AVS pursues its strategic objectives in alignment with its service delivery obligations under the five-year service and funding agreement with the Department. As this report details, AVS successfully met its service obligations to the Department and delivered against the Company's objectives in 2015–16 while generating a strong financial result.

The net profit result of $3.5 million in 2015–16 (for the consolidated entity) represented an increase of $1.7 million (94 per cent) on the 2014–15 result. AVS net assets at 30 June 2016 were $16.97 million compared with $13.46 million at 30 June 2015. Gross royalty income, founded on the success of the Company's investment portfolio, also grew primarily as a result of increased annual returns from the AVS herbicide-tolerant barley project. Aggregate AVS royalty receipts in 2015–16 reached their highest point in the Company's 30-year history with royalty income of $8.7 million generated from the AVS IP portfolio, an increase of $1.0 million (13 per cent) on 2014–15. While this income is noteworthy, of most significance is the value it generates via the flow-on benefits to industry and the State's economy from its application by AVS in advancing and commercialising novel Department research outcomes.

With the success of the AVS investment portfolio resulting in significantly increased revenue flows over recent years, the funds available to AVS for further investment have expanded. Company cash reserves will continue to provide a key source of funds to pursue high-potential innovation opportunities from the Department's research activities.

The AVS investment fund continued to perform strongly in 2015–16 against key indicators set by the AVS Board for monitoring fund performance. At year end, AVS was managing eight active investment projects including a new investment project in 2015–16 to establish technical proof of concept of a novel breeding technology for accelerating and increasing genetic gain in forage grasses and wheat. During the past 13 years the Company has invested in a total of 17 technology enhancement projects.

AVS continues to grant rights to Department-created IP in a manner that optimises its impact, value and accessibility, and delivers benefits consistent with the public interest. The Company holds a significant IP portfolio on behalf of the Department and other IP equity holders, represented by 63 patent family filings throughout 34 countries. The AVS patent portfolio comprises a broad range of plant genetics, genetic traits, biologicals and novel breeding methods and enabling technologies. Technology agreements signed in 2015–16 associated with the AVS IP portfolio included:

- an IP licence agreement enabling commercial pasture research outcomes via the deployment of an AVS hybrid breeding technology for improved perennial ryegrass for dairy farmers.

- several licence agreements granting IP rights to AVS's Artificial Selection and Reagents method for commercial plant and animal use in Australia and internationally.
- an IP licence agreement to advance AVS's herbicide-tolerant barley trait and the release of the next-generation herbicide-tolerant barley variety, Spartacus CL.
- Plant Variety Licences for two new AVS pear varieties, Lanya® and Deliza®, following extensive national and international evaluation to assess market suitability.

The Department undertakes innovative research to enable Victorian farmers to overcome future productivity and biosecurity challenges and help them compete in key export markets. With this aim, in 2015-16 AVS supported the Department to assess, develop and foster R&D collaborations with major life science organisations and research groups in the Americas and Europe, while continuing to pursue technology route-to-impact opportunities to expand its reach. This area of AVS support for the Department will remain a key focus as international R&D linkages become increasingly essential to exchange rights and to capture value from complementary technology innovations globally, for local benefit.

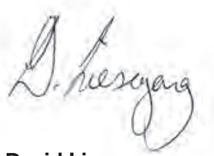
The strategic collaboration between AVS and Dow AgroSciences LLC continued to advance in 2015–16 with the progression of joint, novel technologies established in foundation projects, for crops of importance to Australia and their major production regions globally.

In 2015–16 AVS also helped the Department form the new DairyBio bilateral R&D collaboration with Dairy Australia, which aims to deliver large-scale improvements in the performance of pastures and herds through bioscience research and technology innovation development.

The Company also continued to strengthen important strategy enablers for the delivery of our strategic objectives, in particular by ensuring:

- AVS processes and systems respond readily to the needs of stakeholders, such as enhanced collaborator due diligence assessment processes and modern policies and procedures for staff safety and wellbeing.
- AVS capabilities and resources remain relevant and responsive in delivering on the Company's purpose, particularly in technology valuation, IP strategy and IP portfolio management.
- AVS stakeholder relationships are well-managed to validate the Victorian Government's separate legal entity model for the protection, commercialisation and risk management of Department IP and commercial research activities.

As a result, and more than at any other point in the Company's 30-year history, AVS is ideally positioned to help protect and develop Victoria's innovation economy through its strong agriculture sector. Our sound human resource and financial capital base will continue to be deployed in alignment with our corporate plan and the Department's economic development strategy. Critical to the success of AVS during the next 30-year period will be our ability to sustain and leverage the strength of our positive engagement with the Department. In that context, it is appropriate to acknowledge the collaborative support of the Department's Research branches and its office of Strategic Partnerships during the past year.



David Liesegang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd

The Board

Dr Clive Noble (Chairman)
PSM BAgrSci (Hons)
PhD GAICD

Clive is Managing Director of AgInsight Pty Ltd, a consulting firm that provides science and technology advice to government, industry and the university sectors. Clive spent more than 30 years working in the public sector in agriculture and primary industries, most of this period as a senior executive. Clive's background is in research conduct, R&D strategy and management, corporate strategy, governance 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.

Kathryn Adams (Director)
BScAgr (Hons), LLM MBus, MEnvStud
Prof Cert Arbitration, FAICD

Kathryn is an agricultural scientist and a lawyer. She has extensive experience in industry-focused R&D investment for agribusiness having held senior executive and Board positions in the public and private sectors, including Chief Executive Officer of two R&D 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 Authority. 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.

Antony Christianen (Director)
BBus (Acc), Grad Dip Bus Admin
MAICD, FCPA, FAIM, SA Fin

Antony joined the Board on the 1 August 2011. Antony 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. Antony also chairs the AVS Audit and Risk Management Committee.

The Board (continued)

James Flintoft (Director)
BSc, LLB, MBA

James joined the Board on 25 February 2014. James was Deputy Secretary for the Agriculture Division of the Department, which included responsibility for agriculture and rural policy, research, development and extension, and trade and investment for Victorian agriculture. James has substantial experience in leadership roles in both the Victorian and Australian governments, and also the private sector. His previous leadership roles include Deputy Secretary at the Commonwealth Department of Agriculture, Fisheries and Forestry, Chair of the Commonwealth's Emergency Taskforce on Live Animal Exports, and First Assistant Secretary, Strategic Policy and Delivery Division, Department of Prime Minister and Cabinet. James is a Board member of Biosciences Research Centre Pty Ltd and the Royal Melbourne Showgrounds Joint Venture Board. He was previously a Board member of the Mirabel Foundation - a not-for-profit organisation that provides support and counselling services for children orphaned or abandoned as a result of parental drug abuse.

Before joining the public service, James held senior roles at ANZ Bank (including Managing Director, Business Banking), McKinsey & Company and Allens Arthur Robinson. He has worked and lived in Asia, the United States and the United Kingdom. James resigned from the Board in February 2016.

Dr Judith Slocombe (Director)
BVSc MRCVS, Post Grad Dip Mgt
MBA, FAICD, FAIM

Judith has an extensive and varied career in business. A veterinarian then entrepreneur, she established her own business which 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 non-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.

Judith is the recent past Chief Executive Officer of The Alannah and Madeline Foundation, a children's charity working to keep children safe from violence. She is currently a non-executive director on a range of Boards and a consultant in business strategy, innovation and growth. Judith joined the AVS Board on 1 August 2005 and also chairs the Board of the AVS subsidiary company, Phytogene Pty Ltd.

Peter Turvey (Director)
BA/LLB, MAICD

Peter is the former Group General Counsel, Company Secretary and Executive Vice-President Licensing of specialty biopharmaceutical company CSL Ltd, having retired in 2011. He is currently a principal of Foursight Associates Pty Ltd, and a non-executive director of Starpharma Holdings Ltd and Viralytics Ltd. 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 IP 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.

Summary of Financial Performance

A five-year financial summary for Agriculture Victoria Services Pty Ltd and its controlled entities is provided in the following table. Full financial performance details for the 2015–16 year are shown in the accompanying financial statements.

Five-year financial summary	2015-16 $'000	2014-15 $'000	2013-14 $'000	2012-13 $'000	2011-12 $'000
Total revenue	19,667	20,488	17,032	19,275	18,015
Total expenses	16,170	18,434	16,100	18,079	16,843
Other economic flows	15	(242)	(160)	2	270
Net profit/(loss)	**3,512**	**1,812**	**772**	**1,198**	**1,442**
Total assets	23,926	21,707	24,462	19,870	21,897
Total liabilities	6,952	8,245	12,812	8,992	12,217
Net worth	**16,974**	**13,462**	**11,650**	**10,878**	**9,680**
Net cash from operating	1,903	(2,681)	5,548	450	5,828
Net cash from investing	(28)	(64)	(17)	-	(26)
Net cash movement	**1,875**	**(2,745)**	**5,531**	**450**	**5,802**

Operating performance

The consolidated entity achieved a very good financial result in 2015–16, generating a net profit of $3.5 million, which represents an increase of $1.8 million or 94 per cent on the 2014–15 result.

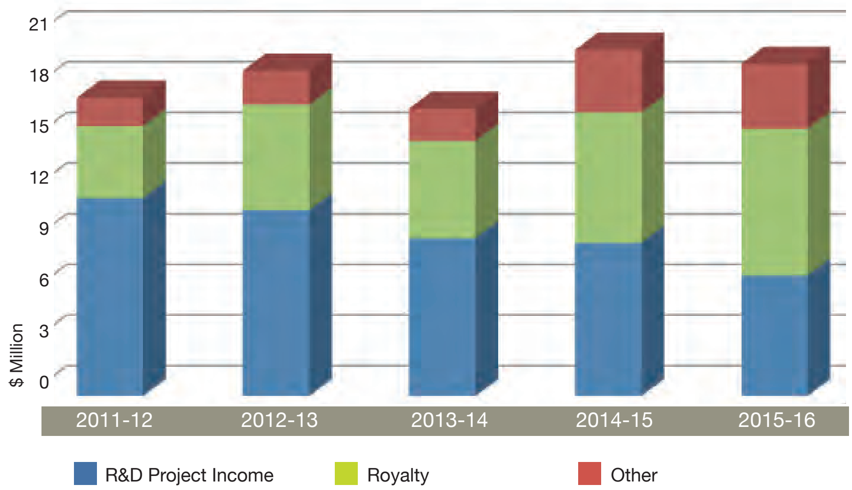
Total revenue remained strong although slightly reduced from the record high level achieved in 2014–15, with expenditure for the current year also lower and within budget.

Revenue

Consolidated revenue totalled $19.7 million in 2015–16, a reduction of $0.8 million or 4 per cent on 2014–15.

The Company's gross income, as depicted in the following graph, reflects a reduction in R&D project income during 2015–16, which was partially offset by increases in royalties and other income, which includes service fees and interest.

Gross income



R&D project income is comprised of revenue generated from commercial R&D agreements established on behalf of the Department. Represented primarily by large, milestone-based R&D collaborations with the private sector, income, income from these sources was reduced by $1.9 million, from $9.0 million in 2014–15 to $7.1 million in 2015–16.

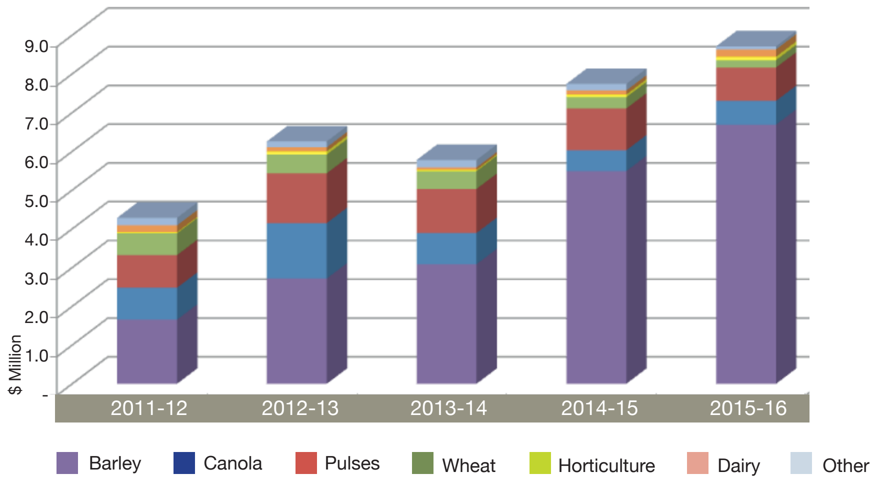
Summary of Financial Performance (continued)

‘Aggregate royalty receipts have reached a high point in the Company’s 30-year history with income of $8.7 million generated in 2015–16, an increase of $1.0 million or 13 per cent on 2014–15.’

Gross royalty income continued the trend of 2014–15 with significant growth driven by increased annual returns from AVS’s successful investment in the development of the world’s first herbicide-tolerant barley variety, Scope CL.

Aggregate royalty receipts have reached a high point in the Company’s 30-year history with income of $8.7 million generated in 2015–16, an increase of $1.0 million or 13 per cent on 2014–15. A breakdown of the sources of royalty income during the past five years is depicted in the following graph.

Gross royalty income



Other income has three components:

1. Service fees charged by AVS to the Department for the delivery of IP and commercialisation management services
2. The recovery of IP registration costs
3. Interest earned on cash reserves held by the Company. An increase in 2015–16 service fee income of $0.3 million or 15 per cent reflects the full-year impact of the restructured model for AVS service delivery established in September 2014 when staff and capabilities were transferred from the Department to AVS.

Interest income, which is almost entirely generated from cash balances held with the Treasury Corporation of Victoria, reduced slightly from $0.65 million in 2014–15 to $0.58 million in 2015–16. The impact of lower interest rates was partially offset by the increased cash balances held by the Company throughout the year.

Expenses

Total expenses decreased by $2.3 million from the previous year to $16.2 million. While the full-year impact of staff transfers to AVS in September 2014 increased 2015–16 employee expenses and other operating costs, this was largely offset by a reduction in depreciation and amortisation. Lower contract R&D costs payable to the Department and a reduction in royalty entitlements due to IP equity holders (of $1.4 million and $0.8 million respectively) were major factors in the reduction in total expenses for the year.

Financial position – Balance sheet

As at 30 June 2016, AVS net assets were $16.97 million compared with $13.46 million at 30 June 2015.

The net worth of the consolidated entity remains strong with cash reserves providing a pool of funds available to support the acceleration of high-potential innovation opportunities from Department R&D activities.

Review of Operations

AVS Strategic Objective 1

Provide IP and commercial services to maximise the impact of department technologies and research

In 2015–16 AVS effectively delivered on its IP and commercial services objective in the following ways:

- Department IP identification processes and route-to-impact partnering decisions were well-informed
- the evaluation of IP was sound in guiding IP protection decision-making and commercialisation strategy
- the adoption of technologies was maximised via appropriate, high calibre route-to-market partners
- the management of the AVS IP asset portfolio was effective and in alignment with Department objectives.

Protection and management of intellectual property

Inventions held by the Company are represented by 492 patent filings throughout 34 countries and comprise a broad range of agricultural and related technologies.

During the past 15 years the Department has gradually shifted its investment priorities, resulting in a shift in the nature of the AVS IP portfolio, characterised by:

- Department divestment from end-stage plant breeding (i.e. varietal development) and cultivar evaluation for grain, forage and horticulture crop species.
- Increased Department investment in the development of novel technologies and tools for accelerated, precision breeding with potential for significant industry impact.
- In alignment with the Department's national roles in grains, dairy, red meat and horticulture R,D&E, increased or shifted investment on next generation technologies and tools for: pre-competitive germplasm enhancement; diagnostic and integrated pest and disease management for biosecurity and bioprotection outcomes for major Victorian crops; genomic research for perennial ryegrass and dairy cattle; genomic research for other plant and animal genetic improvement; and new molecular technologies and tools for milk composition and microbiome analysis.

As a result the AVS IP portfolio currently comprises a range of novel technologies, tools, bioactives and genetics for the benefit of Australian dairy, grains, meat and horticulture industries.

Patented inventions include: bioactive compounds and fungal endophytes; genomic and molecular methods and tools for improved plant and animal breeding; and desired traits for plants and elite new plant cultivars.

Plant Breeder's Rights registrations are held in Australia and overseas for various plant varieties bred by the Department of value to Australian farmers, most of which comprise canola, cereal and pasture species, but which also include horticultural crop genetics (for example: pears, strawberries, peaches and potatoes).

AVS holds several trademarks related to its businesses and inventions created through research conducted by the Department. These are held primarily in Australia, but also throughout Europe, New Zealand and the United States. The table below summarises the AVS IP portfolio held at 30 June for the past seven years.

	2009–10	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16
Inventions (patent families)	60	61	67	70	60	61	**63**
Plant Breeder's Rights	62	54	52	56	58	54	**53**
Trademarks	12	12	11	12	12	15	**14**

Review of Operations – AVS Strategic Objective 1 (continued)

A geographic representation of the Company's IP filings is depicted in the following schematic:

A total of 22 patent filings were lodged throughout 2015–16. Patent filings were composed of new inventions, as well as extensions and variations to existing patents that broaden both their technical and geographic coverage. This represents a decrease from the previous year due to the timing of the international phase for some new Department technology inventions.

Three Department inventions were the subject of new patent applications this financial year. Two related to research on fungal endophyte strains: one on the bioactive chemicals produced by *Daldinia* (a particular endophyte species) and the other on endophytes associated with forage grasses. The other patent filing related to a novel design for a breathable, waterproof cover for storing harvested material on the ground.

In 2015-16 one Department invention was the subject of a patent opposition decision hearing in Australia. IP Australia publically determined that the opposition was unsuccessful and concluded that it failed on all grounds. The decision is now the subject of appeal at the Federal Court.

In 2015–16 one Plant Breeder's Rights application was filed for a second-generation variety of AVS's innovative herbicide-tolerant barley, with several potato varieties under testing prior to protection and exploitation.

Review of Operations – AVS Strategic Objective 1 (continued)

Intellectual property commercialisation

The following activities in 2015–16 relate to the licensing of AVS IP rights associated with research discoveries of the Department, in order to maximise technology adoption and impact for industry:

‘Early grower interest in Spartacus CL has been strong with more than 2000 tonnes of seed already purchased by farmers across the country for planting in 2016.’

- Licence and management agreements were signed with Dairy Australia and Dairy Futures Ltd to enable commercial pursuit of forage research and deployment of a novel hybrid plant breeding technology created by the Department, in association with the Dairy Futures CRC. The new breeding technology will help deliver significant genetic gain for self-incompatible pasture grasses, such as Lolium species including perennial ryegrass and tall fescue.

- A licence agreement was signed with InterGrain Pty Ltd (Intergrain) further advances the AVS herbicide-tolerant barley investment project (refer page 21 Investments). The first variety to be released under the new agreement with InterGrain, **Spartacus CL**, is an early maturing Clearfield® barley variety comprising the AVS-patented herbicide-tolerant trait and is ideally suited to the medium to low rainfall environments of Australia. Spartacus CL offers barley growers a new arsenal against weeds by enabling the control of brome grass in barley and through its suitability for paddocks where imidazolinone chemistry was used in the previous crop. Early grower interest in Spartacus CL has been strong with more than 2000 tonnes of seed already purchased by farmers across the country for planting in 2016. In addition, InterGrain is deploying a targeted market development strategy to create export demand and pursuing Australian Malt and Brewing Accreditation.

- Plant Variety Licences for two new pear varieties – ANP-0118 and ANP-0131 – marketed under the names **Lanya®** and **Deliza®** were signed by AVS with Apple and Pear Australia Ltd (APAL). The signing of these commercial licence agreements follows an extensive national and international cultivar evaluation phase conducted by APAL. The cultivars were originally bred by the Department at the Horticulture Centre of Excellence in Tatura and show significant potential for grower, handler and consumer appeal:
  - ANP-0118 (Lanya®) is a crisp early ripening pear with a yellow background, vibrant red blush, sweet flesh and an ability to retain a crisp texture for up to 10 days. It can be consumed as either a crisp or softened pear depending on consumer preference.
  - ANP-0131 (Deliza®) has a green background with an attractive red blush and the ability to maintain good quality under range of storage conditions. It has an appealing flavour and aromatics and can be eaten either firm or softened to appeal to a wider range of consumers.

  A consumer preference survey identified that consumers valued ANP-0131 (Deliza®) for its enhanced flavour, texture and appearance attributes. In addition, more than 50 per cent of participants were likely or certain to purchase the new cultivar ANP-0118 (Lanya®) due to its improved colour and skin appearance. Limited quantities of both Lanya® and Deliza® are expected in 2016–17, with the first overseas exports for Deliza® scheduled for 2018–19 and Lanya® for 2019–20. Trees are not expected to reach full production until 2021–22 with APAL then aiming to export fruit to Asia pursuant to a global variety delivery model.

Review of Operations – AVS Strategic Objective 1 (continued)

- Several licence agreements granting IP rights to the Department's Artificial Selection and Reagents method patent were entered into during the past year. Genomic selection is the most significant innovation of Department scientists during the past decade and is now revolutionising livestock and crop genetic improvement. Licence agreements signed included those with:
  - the Australian Dairy Herd Improvement Scheme Pty Ltd (ADHIS), enabling ADHIS to pursue genomic-selection-based research and related dairy herd improvement and route-to-impact opportunities. As a wholly owned subsidiary company of Australian Dairy Farmers Ltd, ADHIS provides independent dairy cattle genetic evaluation to support the development of the Australian dairy cattle industry through genetic improvement and industry-wide data dissemination and management. The agreement represents a vital route-to-impact arrangement for this technology by enabling Victorian and Australian dairy farmers to readily access and deploy valuable 'estimated breeding values' devised and provided by ADHIS.
  - the Sheep Cooperative Research Centre Ltd (Sheep CRC), allowing the CRC and its participants to pursue genomic-selection-based research and related sheep herd improvements. The agreement is the first licence entered into for the purpose of benefiting the Australian sheep industry via Sheep CRC research projects.
  - Livestock Improvement Corporation (LIC) in New Zealand, enabling LIC to deliver the benefits of this technology to the dairy industry in New Zealand.
  - a major, global agbio company, enabling it to pursue and commercialise plant-based genomic-selection-based research outcomes in its target commercial crops.

- A licence agreement entitled was entered into with InterGrain Pty Ltd, allowing the company to continue to extract value from Department-developed wheat germplasm in InterGrain's commercial wheat breeding program.

- Pulse Breeding Australia (PBA), an unincorporated joint venture comprising the Grains Research Development Corporation (GRDC), Pulse Australia and R&D entities (including the Department) throughout Australia, aims to deliver elite new pulse varieties for Australian grain growers. Two commercial licence agreements for PBA related Desi chickpea varieties and lentil varieties were entered into by AVS in 2015-16.

- A Plant Variety Licence was entered into with Landmark Operations Ltd (trading as Seednet) that will enable the company to further exploit the industry-flagship lentil variety, Nipper, which has delivered significant, sustained benefits to Australian grain growers in key regions of the country since its release by AVS in 2005.

- A Licence Agreement was entered into between Phytogene Pty Ltd and INDEAR (Instituto de Agrobiotechnologia de Rosario South America) that provides IP rights to INDEAR to Phytogene's yield enhancement trait technology (LXR®) in alfalfa for Uruguay.

Review of Operations (continued)

AVS Strategic Objective 2

Ensure department IP and commercial risks are managed and the State's interests are protected

In 2015–16, AVS effectively delivered on its IP and commercial risk assurance objective in the following ways:

- the Department was well-advised by AVS in considering commercial and IP risks for strategic partnerships
- technology licence (IP) agreements appropriately balanced Department objectives, AVS aims, commercial risks and the potential returns from IP
- commercial R&D agreements entered into by AVS were assessed judiciously
- commercial research collaborators and technology licensees were assessed appropriately and managed professionally, reasonably and responsively.

Research and development collaborations

The following activities in 2015–16 relate to AVS negotiation and establishment of sponsored and contracted research agreements with the private sector. These agreements are entered into by AVS as agent on behalf of the Department, following consideration and mitigation of commercial and IP risks so as to maximise the impact of Department research capabilities for industry:

- Several contract R&D project agreements were assessed, established and conducted by AVS, as agent on behalf of the Department's Biosciences and Agriculture Research branches, in the grains, horticulture, and dairy sectors. These included:
  - grape quality evaluation and the effect of sulphur dioxide and cold on the survival of insects during the storage of table grapes
  - corn crop health surveys
  - testing of air purification systems for strawberry production
  - shelf-life tests for pumpkin and watermelon
  - seed cleaning and seed preparation experiments
  - barley and wheat disease screening service for four private sector grain companies
  - herbicide screening trials
  - evaluation of the mechanisms of action of microorganism-based bio-stimulant products
  - evaluation of pasture management and improvement of dairy farms
  - soil, plant and bore water monitoring in the dairy industry.

- Two experimental and consulting R&D projects were entered into by AVS and undertaken in collaboration with a major global R&D institute and a private sector entity to provide services for:
  - commercial pilot testing of a hydroponic system
  - evaluation of a cultivation system in large plots for grain and vegetable crops.

- Other contract R&D projects that AVS entered into include:
  - satellite-based estimation of Mallee crop water use and root zone drainage for the Mallee Catchment Management Authority
  - a farm water spatial project for the Goulburn Broken Catchment Management Authority
  - audit of the Fertcare Accredited Advisor program
  - nutrient stratification and subsurface soil testing.

Intellectual property guidance and commercial support

The following activities in 2015–16 relate to the provision of specialist IP, commercial and legal support services by AVS to the Department to help assist the management and governance of important IP IP assets and strategic R&D collaborations:

- AVS supported the Department to develop a set of IP management principles to help the Department apply whole-of-government IP policy guidelines. The project involved AVS assisting the Department with:
  - the conduct of an 'IP Scan' across the Department to ascertain the significance of IP being accessed, developed or managed by the Department
  - the development of IP management principles tailored to the needs of the Department.

Review of Operations – AVS Strategic Objective 2 (continued)

‘AVS supported the Department to develop a set of IP management principles to help the Department apply whole-of-government IP policy guidelines.’

- AVS advised on IP rights protection and route-to-impact planning relating to several outcomes from R&D projects undertaken by the Department’s Biosciences Research, such as novel endophytes and related bioactives.

- AVS advised on IP rights protection and route-to-impact planning relating to several research outcomes from R&D projects undertaken by the Department’s Agriculture Research branch, such as a proposed red meat (lamb) technology, data for improved on-farm decision-making, and the commercialisation potential of a horticulture-related software and data application.

- In readiness for the conclusion of the Dairy Futures CRC (DFCRC) on 30 June 2016, AVS worked closely with Dairy Futures Ltd to reach agreement on several key IP-related wind-up matters, including:
  - a final DFCRC IP register in relation to AVS background IP and third-party background IP
  - a basis for sharing future revenues derived by AVS from DFCRC-related related technology innovations.

- In readiness for the new DairyBio collaboration AVS helped the Department draft the DairyBio Bilateral Agreement between Dairy Australia and the Department, as well as associated template agreements in readiness for anticipated DairyBio R&D projects, commercialisation arrangements and student engagement.

- AVS supported the Department in its discussions with the GRDC and the NSW Department of Primary Industries to negotiate a draft head agreement for the commercialisation of parental canola germplasm of the National Brassica Germplasm Improvement Program.

- AVS provided expert legal, commercial and IP guidance and support to the Department, in particular by reviewing and advising on several research-enabling agreements, including:
  - R&D funding agreements to ensure appropriateness and consistency of terms
  - material transfer agreements to ensure alignment with related agreements
  - subcontracts and service agreements to ensure alignment with related agreements.

- AVS advised the Department’s office of Strategic Partnerships on several contractual issues of relevance to the Department and its key stakeholders, such as provisions relating to indemnities, IP ownership and liabilities in standard research development corporation and Commonwealth funding agency agreements.

- AVS provided an educational IP seminar for senior Department scientists and administrators to raise further awareness of the contribution of IP to scientific and human endeavour and the need for the Department to be vigilant in early IP management.

- AVS reviewed and updated its contract risk checklist to further (strengthen) Department assessment of potential reputational risks when entering commercial licence and R&D agreements.

Review of Operations (continued)

AVS Strategic Objective 3

To enhance and accelerate the adoption of department technologies via AVS investment

In 2015–16, effectively delivered on its investment objective in the following ways:

- the value and effectiveness of AVS's investment portfolio increased
- AVS investments led to private sector funding and new product innovations in the marketplace.

AVS investment fund – background and performance

The activity of investing Company funds in the development and commercialisation of technologies created by the Department is a core element of AVS's business and has been so since its formation in 1986.

The Company's current three-year corporate plan (2015–2017) continues to recognise the importance of the AVS investment function in successfully enhancing and accelerating the adoption and impact of new technology inventions arising from the Department's R&D activities.

The investment function and enabling funds are managed by the AVS Investment Committee which meets on a regular basis to consider new investment opportunities, to review and monitor the performance of existing investment projects and to plan for the financial resources necessary to facilitate the delivery of future investment opportunities.

At 30 June 2016, AVS has eight active investment projects. Pursuant to the AVS investment policy and procedure, the Company has invested in a total of 17 technology enhancement projects during the past 13 years. A review of the status of each active project follows this introduction.

The AVS Investment Fund continued to perform very strongly in 2016 when measured against the performance indicators established by the Board:

INVESTMENT FUND INDICATOR	INVESTMENT FUND PERFORMANCE
Private sector investment	• Currently 100 per cent of active projects have attracted private sector investment, which has been the case in six of the past seven years.
New products generated	• In 2016, two new commercial products were released to the market by Investment Fund technology licensees. • 63 per cent of the currently active investment projects have been successful in generating commercial products. • Overall, 33 per cent of investment projects over the fund's life have generated commercial products.
Growth in portfolio net present value (NPV)	• Currently the fund has an NPV of $47.3 million, which is an all-time high.
Financial return on funds invested	• The annual return in 2016 on all funds invested was 47 per cent, again an all-time performance high, and an increase on the 2015 result of 25 per cent. Returns in the five prior years ranged from between 5 per cent and 10 per cent.

Over the fund's life, AVS has invested in a broad range of projects including bantamised poultry genetics, beneficial bacterial isolates from soil, and new cereal and pulse varieties arisen. In more recent years the major investment opportunities have largely arisen from plant related R&D projects. These have included several investment projects that facilitated the Department's divestment from late-stage canola breeding (and supported development of a viable private sector canola breeding capacity), as well as projects that led to the development of a novel herbicide-tolerant trait for barley and pulse crops.

Review of Operations – AVS Strategic Objective 3 (continued)

‘The Company’s exceptionally strong financial performance this year is primarily driven by the highly successful project responsible for generating the world’s first herbicide-tolerant barley variety.’

The Company’s exceptionally strong financial performance this year is primarily driven by the highly successful project responsible for generating the world’s first herbicide-tolerant barley variety. This project is not only significant for the benefits it has delivered to Australian barley growers, but also for the generation of royalty revenue that is helping AVS build further on its capital base to support current and future investment opportunities.

The importance of carrying a ‘substantial capital base’ to enable AVS to optimise its performance was recognised by the Victorian Government when the Company was established. Accordingly, recent growth in the funds available for AVS investment has ensured that the Company maintains the financial capacity to take advantage of future investment opportunities in Department technology innovations that have the potential to deliver significant benefits to the Victorian food and fibre industries.

The nature of these opportunities are likely to continue to transition from late-stage plant variety development (which have typically been of relatively low risk with a shorter time to product development and the generation of earlier financial returns) to patented, platform technologies for enabling significant and accelerated rates of genetic gain in strategically important crops to Australia (which require longer investment periods for product innovation and have a higher average investment cost per project).

In summary, AVS continues to perform strongly against its core objective of enhancing and accelerating adoption of the Department’s technologies through the effective use of its investment fund. Furthermore, recent growth in the Company’s capital base places it in a very sound position to respond to the anticipated changing nature of future investment opportunities. A status report on all active investment projects is as follows:

Phytogene Pty Ltd

> Phytogene Pty Ltd is a wholly owned subsidiary company of Agriculture Victoria Services Pty Ltd. The company’s purpose is to commercialise a proprietary and patented delayed plant leaf senescence technology, with the trade mark LXR®.

The technology has a wide range of potential applications for major plant crops by increasing dry matter production, seed yield and drought tolerance. Phytogene also holds exclusive commercialisation rights to another yield-enhancing trait (biomass enhancement technology) which is complementary to the LXR® technology and was developed by AVS and the former Molecular Plant Breeding CRC.

Following early seed funding from AVS, Phytogene has been financially self-sufficient since 2008 with payments received from licensees providing sufficient funding to support its operations.

Phytogene continues to maintain a low cost structure while it builds value in its technology and seeks further commercial opportunities. As a result, Phytogene has been able to meet the operating loss of $61,238 incurred in 2015–16 from its own internal cash resources. Internal cash reserves provide sufficient funds to support Phytogene’s operations over the next two to three years, following which, commercial income is projected to ensure the company’s ongoing financial viability.

Glasshouse and field trial results to date have provided evidence of proof of concept for LXR® in the dicotyledonous species alfalfa, canola and white clover. Proof of concept in a monocotyledonous species has been demonstrated in wheat through extensive field trials of LXR® and BET technologies, conducted by the Department’s Biosciences Research branch on behalf of Phytogene.

Wheat trials conducted in both 2014–2015 and 2015–16 showed yield gains that ranged between 10 per cent and 30 per cent in irrigated conditions and up to 60 per cent under drought (rain-fed) conditions.

Review of Operations – AVS Strategic Objective 3 (continued)

Phytogene cont. >

During 2015–16 Phytogene's commercial licensee for LXR® in alfalfa in Argentina, INDEAR, has been preparing for commercial LXR® alfalfa event production by incorporating the LXR® trait into the company's alfalfa germplasm.

As a result of the successful progress to date, Phytogene and INDEAR signed a licence agreement to extend INDEAR's rights to apply LXR® in alfalfa beyond Argentina to now include Uruguay.

Phytogene also continues to strengthen its IP portfolio of LXR® and BET patents around the world with the granting of patents in several countries in 2015–16. In Australia, the LXR® modified promoter patent was granted in August 2015, and the BET patent was granted in December 2015. BET-related patents were also granted in Japan and Mexico.

The following AVS investment projects comprise project expenditure reported in the AVS balance sheet as an intangible asset.

Primary oilseeds

> Primary Oilseeds is an oilseed cultivar development and commercialisation program that delivers elite *Brassica napus* canola germplasm and varieties through three genetic trait pipelines, specifically conventional (non-herbicide-tolerant) canola cultivars, triazine-tolerant canola cultivars, and imidazolinone-tolerant Clearfield® canola as parental lines. Investment provided by AVS over a four-year period was completed in 2007 when, in alignment with Department policy for investment in plant breeding, the Department divested from canola cultivar breeding.

With the Department, AVS implemented a transition process which resulted in the successful transfer of canola cultivar development activities and IP rights from the State to the private sector. In exchange for the transfer of this germplasm, AVS and the Department receive variety royalty payments arising from the commercialisation of existing and new canola cultivars by private sector partners.

This project has been very successful through its facilitation of the growth of a viable commercial canola breeding capacity in the private sector and through its generation of significant financial returns to help sustain the AVS investment fund. However, as the project moves toward closure, returns from AVS investment in the maturing Primary Oilseeds project remain in decline due to the reduction in new commercial varieties attributable to AVS genetics (originally assigned to commercial collaborators for breeding use on the Department's exit from canola cultivar development).

AVS HOLL canola

> The AVS HOLL canola investment project was established to develop High Oleic, Low Linolenic (HOLL) *Brassica napus* canola hybrids with tolerance to key herbicides. Oil produced from HOLL canola offers improved shelf-life and stability at high temperatures due to its oxidative stability, as well as lower saturated 'trans' fats.

AVS's original co-investment with Cargill Inc enabled the co-development of improved conventional and new herbicide-tolerant 'Victory' HOLL canola hybrids, primarily for Australian and North American production areas.

The collaboration has resulted in the release by Cargill of new commercial canola varieties in Australia with proprietary HOLL canola traits that offer value to the food and food processing sectors based on the product's health benefits to consumers. Current variety releases include the conventional hybrid HOLL variety **Victory V3002** and the Round-Up Ready® herbicide-tolerant hybrid variety **Victory V5002**.

This year saw the first commercial release of a new Victory Round-Up Ready® HOLL canola variety in Australia, **Victory V5003**, which has improved blackleg resistance and is expected to quickly replace Victory V5002. Several other new Victory HOLL canola hybrids are currently being evaluated for prospective release in the next three to five years, with the outlook for continued grower adoption of AVS–Cargill Victory HOLL canola varieties remaining promising.

Review of Operations – AVS Strategic Objective 3 (continued)

AVS juncea canola

> The AVS juncea canola investment project was established to develop canola-quality *Brassica juncea* oilseed varieties with improved adaptation for marginal canola-growing regions in Australia. Most of Australia's canola oil crop originates from the species *Brassica napus*. However, juncea canola is traditionally better suited to low-rainfall, high-temperature environments.

The project developed canola-quality *Brassica juncea* genetics with improved adaptation for the drier canola-growing regions in Australia, along with traits conferring improved herbicide tolerance, disease-resistance (i.e. blackleg and white rust) and quality characteristics.

Despite significant and several market development efforts by AVS commercial collaborators for this project, juncea canola technology has become obsolete and future returns to AVS are not expected. In particular, juncea canola adoption in Australia has been impacted by key market issues such as: (i) price discounts for juncea canola grain (against traditional canola); (ii) unwillingness of the canola industry to accept the yellow seed colour; and (iii) increased competition from both *Brassica napus* hybrid varieties and more profitable row crops (e.g. chickpeas, lentils, barley) in the targeted marginal canola-growing areas for juncea canola.

Juncea canola trait technology is therefore considered by AVS to no longer have a viable commercial value proposition in Australia. As a result, all breeding, development and seed commercialisation activities in Australia have ceased and AVS has fully written off the asset.

The following AVS investment projects comprise project expenditure that has been charged against the income statement when incurred.

Herbicide-tolerant barley

> Weed control is a key issue in Australian grain production, including in barley crops. Effective chemical weed control is desirable to maximise production of the crop and limit the need for mechanical cultivation and its resultant damage to soil structure and erosion. In barley cropping systems, a greater range of herbicides to control the full spectrum of relevant weeds is considered highly advantageous to cereal growers. With this aim, AVS invested in an experimental R&D project carried out by the Department's Biosciences Research branch.

The project screened genotypes from barley mutant populations for improved tolerance to herbicides for broadleaf and grass weed control. Following technical proof of concept, AVS secured global patent protection of the herbicide-tolerant herbicide-tolerant barley trait. Local seed partner, Seednet, was licensed to commercially release the world's first herbicide-tolerant barley variety, **Scope CL**.

The commercialisation of Scope CL in Australia has been highly successful in terms of its rapid and early adoption by the Australian barley industry. This success has been supported by a licence signed between AVS and BASF Plant Science Company GmbH (BASF) enabling the use of the Intervix® herbicide on Clearfield® Scope barley (pursuant to strict BASF stewardship and herbicide application protocols).

A major development and licence agreement with InterGrain Pty Ltd was signed with AVS in 2015–16 which allows InterGrain to breed with and commercialise the AVS herbicide-tolerant barley trait in Australia and to commercially release the next generation of herbicide-tolerant barley varieties.

In January 2016, InterGrain released its first (and the second-ever) herbicide-tolerant barley line in Australia, known as **Spartacus CL**. Continued grower plantings of Scope CL barley and the expected grower interest in Spartacus CL barley is evident through strong production (Scope CL) and early seed sales (Spartacus CL) figures for both varieties in the past season.

Review of Operations – AVS Strategic Objective 3 (continued)

Herbicide-tolerant lentils

> The AVS herbicide-tolerant lentils investment project was established to develop and commercialise elite, first-generation lentil cultivars with tolerance to a class of herbicides used by Victorian and Australian lentil growers. Group B (acetoacetate-synthase-inhibiting) herbicides are used to control broadleaf weeds in pulses.

The project first conducted a 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.

Leading candidate herbicide-tolerant lentil cultivars were developed and, through AVS's licensed partner, PB Seeds, have undergone wide-scale wide-scale commercial grower evaluation. The first AVS herbicide-tolerant lentil variety, PBA Herald XT, was commercially launched by PB Seeds Pty Ltd in 2011 while the second AVS herbicide-tolerant lentil variety, PBA Hurricane XT, has received strong seed orders for sowing. A third line commenced commercial evaluation in 2015-16 and, subject to performance, is subject to performance is expected to be released in 2018.

Blackleg-tolerant canola

> In 2014–15 the AVS Board approved investment in a project to test the efficacy of a novel plant breeding technology platform and to demonstrate its value for pre-breeding applications by commercial canola breeding companies in conferring resistance to blackleg disease. Optimal Haploid Value (OHV) selection is a new technology created via a major Department (Bioscience Research) research collaboration that enables the prediction of a plant's potential to produce an elite doubled haploid based on genetic marker analysis. Blackleg is a fungal pathogen that poses a significant threat to the Australian canola industry and is responsible for the greatest production losses for growers.

Successful validation of this method through AVS investment will lead to enhanced prediction of blackleg-pathogen resistance in multiple species, shortening of the hybrid breeding process and accelerated delivery of elite new canola germplasm and varieties for Australian farmers.

Genome-edited forages and wheat

> In 2015–16 the Board approved AVS investment in a new project project to develop and validate platform technology to enable precision genome editing in elite forage grass and wheat germplasm. The resulting technological tools from this project are aimed at enabling breeders to develop elite new pasture and wheat varieties with genetic improvement, for any trait of value.

The novelty and uniqueness of the platform technology will be derived from a combination of relevant, complementary technologies to allow genome-edit-enabled traits to be directly introduced into any crop for which doubled haploid production is possible, including canola, wheat, maize and forage grasses. The technology value proposition will be the ability for forage grass and wheat breeders to directly introduce a genome-edit-enabled trait into any genetic background in a targeted manner and to generate fixed lines with the targeted trait in a single breeding cycle.

In addition, when combined with other novel breeding methods, the resulting technology will enable breeders to further accelerate genetic gain in each breeding cycle. For example, AVS investment in this project will enable the commercial deployment of genome-edit-enabled tools and events in perennial ryegrass, short-term ryegrass, tall fescue and fungal endophytes of forage grasses developed via the new DairyBio program to be undertaken by the Department and Dairy Australia.

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 IP and commercialisation services to the Department.

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.

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

The purpose of the Company is to help improve the productivity and competitiveness of Victorian farmers where a private sector route to market for Department research outputs and capabilities is needed.

AVS has five million issued shares that are held non-beneficially on behalf of the State of Victoria by Adam Fennessy, Secretary of the Department of Environment, Land, Water and Planning (DELWP). The shares are subject to a declaration of trust that requires the shareholder to exercise their rights in such manner as the Honourable Jaala Pulford MP, Minister for Agriculture or their delegate shall from time to time direct. The Minister is currently considering a proposal to transfer non-beneficial ownership of the Company's shares to a senior bureaucrat in the Department.

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 Board currently consists of five non-executive directors. Directors are appointed in accordance with relevant Victorian Government Guidelines. The current Board members are as follows:

DIRECTOR	CURRENT TERM		
Dr Clive Noble (Chairman)	1 August 2011	to	31 October 2016
Ms Kathryn Adams	1 August 2011	to	31 October 2016
Mr Antony Christianen	1 August 2011	to	31 October 2016
Mr James Flintoft	25 February 2014	to	15 February 2016*
Dr Judith Slocombe	1 August 2011	to	31 October 2016
Mr Peter Turvey	13 July 2012	to	31 October 2018

*resigned effective from this date

Board committees

The Board has three standing committees.

Audit and risk management committee

The purpose and objectives of the Audit and Risk Management Committee (ARMC) are defined in the AVS ARMC Charter and include oversight and advice on matters of accountability, compliance, performance and risk management. Members of the ARMC during the 2015–16 year were:

Mr Antony Christianen	Chairman of ARMC and AVS director
Mr Desmond Hill	Independent member
Mr Peter Turvey	AVS director

The committee met four times during the 2015–16 year.

The ARMC was assisted in the discharge of its duties by HLB Mann Judd Pty Ltd, which has been appointed as the Company's internal auditors for a three-year period to June 2018.

Corporate governance (continued)

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 2015–16 year.

Investment committee

The Investment Committee is constituted under the AVS investment policy and procedure. It is responsible for assisting and advising the AVS 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 three times during the 2015–16 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 and Victorian Government policies. All policies, procedures and guidelines are subject to review on a regular basis under the ARMC's guidance.

Risk management

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

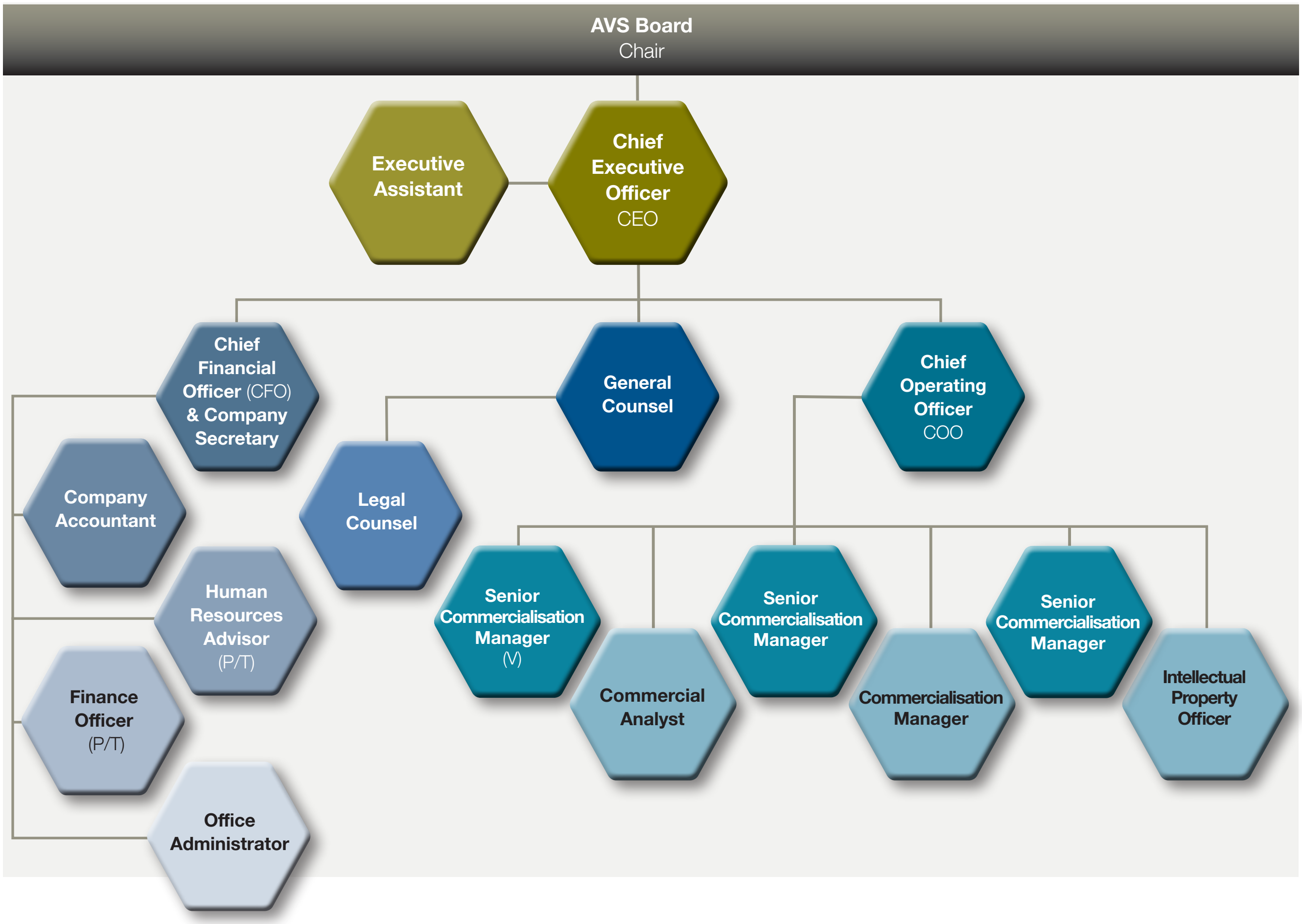
The framework incorporates an attestation process to confirm that risk management processes and structures are embedded across the business.

Attestation of compliance with the Australian/New Zealand Risk Management Standard

I, Clive Noble certify that the Agriculture Victoria Services Pty Ltd has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Agriculture Victoria Services Pty Ltd Audit Committee has verified this.

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd
24 August 2016

Organisational structure



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 Victorian Public Sector Commission is established under the Act to support its administration and implementation. AVS is classified as a Public Entity under this Act and, by Order in Council dated 25 June 2013, became subject to divisions 2 and 3 of part 5 of the Act and the governance principles contained therein.

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 Company's annual report to be tabled in Parliament on an annual basis by the Minister for Agriculture.

Corporate governance (continued)

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 McLean Delmo Bentleys under contract to the Auditor General of Victoria.

Privacy and Data Protection Act 2014
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 *Protected Disclosure 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 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 IBAC using the contact details provided below left. Please note that AVS is not able to receive protected disclosures.

Contacts
Independent Broad-Based
Anti-Corruption Commission Victoria

Address:
Level 1, North Tower,
459 Collins Street,
Melbourne VIC 3001

Mail:
IBAC, GPO Box 24234,
Melbourne VIC 3000

Phone: 1300 735 135
Website: www.ibac.vic.gov.au
Email: See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

How can I access AVS's procedures for the protection of persons from detrimental action?
AVS has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about AVS or its employees. You can access AVS's procedures on the AVS website at: www.agvic.com.au

Information and communication technology expenditure
For the 2015–16 reporting period AVS had a total Information and communication technology (ICT) expenditure of $11,000, with the details shown below.

BUSINESS AS USUAL (BAU) ICT EXPENDITURE	NON-BUSINESS AS USUAL (NON-BAU) ICT EXPENDITURE	OPERATIONAL EXPENDITURE	CAPITAL EXPENDITURE
$11,000	$0	$0	$0

Director's Report

The Board of Directors present their report together with the financial report of Agriculture Victoria Services Pty Ltd and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2016 and the auditor's 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, JA Flintoft, CL Noble, JM Slocombe, PRE Turvey.

All Directors were in office from the beginning until the end of the financial year with the exception of Mr JA Flintoft who resigned from the Board in February 2016.

Principal activity
The principal activity of the consolidated entity during the financial year was to facilitate the commercialisation of R&D in the Victorian Department of Economic Development, Jobs, Transport and Resources.

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

Results and dividends
The comprehensive result for the Company for the year was $3,572,812 (2015 profit $1,904,922). The net result for the consolidated entity for the year was $3,511,575 (2015 profit was $1,812,530).

The directors do not recommend payment of a final dividend and no dividend has been paid since the end of the previous year. (2015: Nil).

Likely developments
The consolidated entity will continue to facilitate the protection and commercialisation of the R&D outputs of the Victorian Department of Economic Development, Jobs, Transport and Resources. 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	-	-	3	3	2	2
A Christianen	6	6	4	4	3	3	2	2
JA Flintoft	0	3	-	-	-	-	-	1
CL Noble	6	6	-	-	3	3	2	2
JM Slocombe	6	6	-	-	3	3	2	2
PRE Turvey	6	6	3	4	3	3	2	2

Director's report (continued)

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.

Dr Clive Noble
Director
24 August 2016

Mr Antony Christianen
Director
24 August 2016

VAGO
Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010

Website www.audit.vic.gov.au

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the 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 matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for Agriculture Victoria Services Pty Ltd for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

MELBOURNE
25 August 2016

for Dr Peter Frost
Acting Auditor-General

Financial Statements

AGRICULTURE VICTORIA SERVICES

Comprehensive Operating Statement

Year ended 30 June 2016

		Consolidated		The Company	
	Notes	2016 $	2015 $	2016 $	2015 $
Income from transactions					
Revenue from rendering services and royalties	2(a)	19,085,944	19,842,907	19,086,244	19,852,321
Interest	2(b)	580,493	645,533	572,992	635,581
Total income from transactions		**19,666,437**	**20,488,440**	**19,659,236**	**20,487,902**
Expenses from transactions					
Employee expenses	3(a)	1,685,088	1,460,368	1,685,088	1,460,368
Depreciation	3(b)	87,445	279,300	87,445	279,300
Interest expense	3(c)	323	950	323	950
Operating expenses	3(d)	14,397,373	16,693,216	14,328,935	16,600,286
Total expenses from transactions		**16,170,229**	**18,433,834**	**16,101,791**	**18,340,904**
Net result from transactions (net operating balance)		**3,496,208**	**2,054,606**	**3,557,445**	**2,146,998**
Other economic flows included in net results					
Net gain/(loss) on non-financial assets[i]	4(a)	18,678	(237,239)	18,678	(237,239)
Net gain/(loss) on financial instruments	4(b)	(130)	(1,829)	(130)	(1,829)
Net gain/(loss) from other economic flows	4(c)	(3,181)	(3,008)	(3,181)	(3,008)
Total other economic flows included in net result		**15,367**	**(242,076)**	**15,367**	**(242,076)**
Net result		**3,511,575**	**1,812,530**	**3,572,812**	**1,904,922**
Other economic flows - other comprehensive income		**-**	**-**	**-**	**-**
Comprehensive result		**3,511,575**	**1,812,530**	**3,572,812**	**1,904,922**

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

Notes:

(i) 'Net gain/(loss) on non-financial assets' includes unrealised and realised gains/(losses) from impairments, and disposals of all physical assets and intangible assets, except when these are taken through the asset revaluation surplus.

Balance Sheet

Year ended 30 June 2016

		Consolidated		The Company	
	Notes	2016 $	2015 $	2016 $	2015 $
Assets					
Financial assets					
Cash and deposits	18(a)	22,106,033	20,230,733	21,746,356	19,842,283
Receivables	5	1,453,905	1,068,816	1,453,254	1,068,716
Other financial assets	6	-	-	855,002	855,002
Total financial assets		**23,559,938**	**21,299,549**	**24,054,612**	**21,766,001**
Non-financial assets					
Plant and equipment	8	105,774	96,344	105,774	96,344
Intangible assets	9	260,446	311,133	260,446	311,133
Total non-financial assets		**366,220**	**407,477**	**366,220**	**407,477**
Total assets		**23,926,158**	**21,707,026**	**24,420,832**	**22,173,478**
Liabilities					
Payables	10	6,589,488	7,710,831	6,543,088	7,697,446
Borrowings	11	30,799	24,035	30,799	24,035
Provisions	12	332,206	510,070	332,206	510,070
Total liabilities		**6,952,493**	**8,244,936**	**6,906,093**	**8,231,551**
Net assets		**16,973,665**	**13,462,090**	**17,514,739**	**13,941,927**
Equity					
Accumulated surplus/(deficit)		11,973,665	8,462,090	12,514,739	8,941,927
Share capital		5,000,000	5,000,000	5,000,000	5,000,000
Net worth		**16,973,665**	**13,462,090**	**17,514,739**	**13,941,927**
Commitments for expenditure	15				
Contingent liabilities	16				

The balance sheet should be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

Year ended 30 June 2016

	Consolidated				The Company			
	Equity at 1 July 2015 $	Net result $	Other comprehensive income $	Equity at 30 June 2016 $	Equity at 1 July 2015 $	Net result $	Other comprehensive income $	Equity at 30 June 2016 $
Accumulated surplus	8,462,090	3,511,575	-	11,973,665	8,941,927	3,572,812	-	12,514,739
Share Capital	5,000,000	-	-	5,000,000	5,000,000	-	-	5,000,000
Total equity at the end of the financial year	**13,462,090**	**3,511,575**	**-**	**16,973,665**	**13,941,927**	**3,572,812**	**-**	**17,514,739**

	Consolidated				The Company			
	Equity at 1 July 2014 $	Net result $	Other comprehensive income $	Equity at 30 June 2015 $	Equity at 1 July 2014 $	Net result $	Other comprehensive income $	Equity at 30 June 2015 $
Accumulated surplus	6,649,560	1,812,530	-	8,462,090	7,037,005	1,904,922	-	8,941,927
Share Capital	5,000,000	-	-	5,000,000	5,000,000	-	-	5,000,000
Total equity at the end of the financial year	**11,649,560**	**1,812,530**	**-**	**13,462,090**	**12,037,005**	**1,904,922**	**-**	**13,941,927**

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Cash Flow Statement

Year ended 30 June 2016

	Notes	Consolidated 2016 $	Consolidated 2015 $	The Company 2016 $	The Company 2015 $
Cash flow from operating activities					
Receipts					
Receipts from customers		20,118,955	21,480,800	20,117,740	21,486,774
Interest received		551,077	549,068	543,977	538,404
Total receipts		**20,670,032**	**22,029,868**	**20,661,717**	**22,025,178**
Payments					
Payments to suppliers and employees		(18,610,924)	(23,770,471)	(18,575,501)	(23,678,564)
Goods and Services Tax paid to the ATO(i)		(162,741)	(963,779)	(161,075)	(960,838)
Interest and other costs of finance paid		(322)	(950)	(322)	(950)
Total payments		**(18,773,987)**	**(24,735,200)**	**(18,736,898)**	**(24,640,352)**
Net cash flows from/(used in) operating activities	18(b)	**1,896,045**	**(2,705,332)**	**1,924,819**	**(2,615,174)**
Cash flows from investing activities					
Purchase of plant and equipment		(62,397)	(32,596)	(62,397)	(32,596)
Proceeds from sale of plant and equipment		50,310	191	50,310	191
Proceeds from sale of available-for-sale financial assets		-	-	-	-
Net cash flows from/(used in) investing activities		**(12,087)**	**(32,405)**	**(12,087)**	**(32,405)**
Cash flows from financing activities					
Repayment of borrowings and finance leases		(8,658)	(7,342)	(8,658)	(7,342)
Net cash flows from/(used in) financing activities		**(8,658)**	**(7,342)**	**(8,658)**	**(7,342)**
Net increase/(decrease) in cash and cash equivalents		1,875,300	(2,745,079)	1,904,073	(2,654,921)
Cash and cash equivalents at beginning of financial year		20,230,733	22,975,812	19,842,283	22,497,204
Cash and cash equivalents at the end of the financial year	18(a)	**22,106,033**	**20,230,733**	**21,746,356**	**19,842,283**

The cash flow statement should be read in conjunction with the notes to the financial statements.

Notes:

(i) Goods and Services Tax paid to the ATO is presented on a net basis.

Notes to the Financial Statements Year ended 30 June 2016

Notes to the Financial Statements Year ended 30 June 2016

1. Summary of Significant Accounting Policies

(a) Statement of compliance

The financial report is a general-purpose financial report for the period ended 30 June 2016, 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 23.

The annual financial statements were authorised for issue by the Directors of Agriculture Victoria Services Pty Ltd on 24 August 2016.

(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.

A description of the nature of the Company's operations and its principal activities is included in the Company Profile on page 1, which does not form part of these financial statements.

The Company is predominantly funded by revenue received from royalties and fees for service

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

(c) Basis of preparation and measurement

The accruals basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

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.

Revisions to accounting estimates are recognised in the period in which the estimate is and also in future periods that are affected by the revision. 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(N);
- the fair value of intangible assets, (refer to Note 1(N);
- 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(O).

The financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention 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.

Consistent with AASB 13 Fair Value Measurement, Plant, Equipment and Vehicles for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities,
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Company has determined Plant, Equipment and Vehicles are categorised to Level 3.

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2016, the comparative information for the year ended 30 June 2015.

(d) Basis of consolidation

In accordance with AASB 10 Consolidated Financial Statements, the consolidated financial statements incorporates assets and liabilities of all reporting entities controlled by the Company as at 30 June 2016, and their income and expenses for that part of the reporting period in which control existed.

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.

In the process of preparing consolidated financial statements, all material transactions and balances between consolidated entities are eliminated.

Phytogene Pty Ltd, a wholly owned subsidiary of Agriculture Victoria Services is the only entity which has been consolidated into the reporting entity.

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.

(e) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two represents the net result. The net result is equivalent to profit or loss derived in accordance with AASs.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals of

Notes to the Financial Statements Year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(e) Scope and presentation of financial statements (continued)

non-financial assets; revaluations and impairments of non-financial physical and intangible assets and re-measurement arising from defined benefit superannuation plans.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of Financial Statements.

Balance Sheet

Items of assets and liabilities in the balance sheet are presented in liquidity order with assets aggregated into financial and non-financial assets.

Current versus non-current assets and liabilities, non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period are disclosed in the notes where relevant except for the provision of employee benefits, which are classified as current liabilities if the company does not have the unconditional right to defer the settlement of the liabilities 12 months after the end of the reporting period.

The net result is the equivalent to profit or loss defined in accordance with AASs.

Cash Flow Statement

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

Statement of Changes in Equity

The statement of changes in equity presents reconciliations of each non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions with owner in their capacity as owner.

Rounding

Amounts in the financial statements have been rounded to the nearest dollar ($1), unless otherwise stated. Figures in the financial statements may not equate due to rounding. Please refer to the end of Note 23 for a style convention for explanations of minor discrepancies resulting from rounding.

(f) Accounting for 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 presented 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.

(g) 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 Section 24AO Income Tax Assessment Act and as such does not adopt tax effect accounting.

(h) 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.
- Grants are recognised at the point cash is received from the grant authority.

(i) 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

These expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements and WorkCover premiums.

The amount recognised in the comprehensive operating statement for superannuation is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

The Department of Treasury and Finance (DTF) in its annual financial statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's annual financial statements for more detailed disclosures in relation to these plans.

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation expense is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Intangible produced assets with finite useful lives are depreciated as an expense from transactions on a systematic (typically straight -line) basis over the asset's useful life. Depreciation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner

Notes to the Financial Statements Year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(i) Expenses from transactions (continued)

intended by management.

The following are typical estimated useful lives for different asset classes for current and prior years:

- Plant, equipment and vehicles (including leased assets) 2 to 5 years
- Intangible produced asset 4 to 15 years

Interest expense

Interest expense represents costs incurred in connection with borrowings. It includes interest on interest components of finance lease repayments.

Interest expense (excluding swap interest that is classified as an other economic flow) is recognised in the period in which it is incurred. Refer to Note 22 for an explanation of interest expense items.

Contract research and development project expense

These expenses include costs for research and development conducted by the Department of Economic Development, Jobs, Transport and Resources ('the Department').

Royalty expenses

Royalty expenses include intellectual property protection costs and are recognised as an expense in the reporting period in which they are incurred.

Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operating and include:

- Supplies and services which are recognised as an expense in the reporting period in which they are incurred.
- Bad and doubtful debts.

(j) 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.

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

- **Revaluation gains/(losses) of non-financial physical assets**
  Refer to Note 1(N) Revaluations of non-financial physical assets.
- **Net gain/(loss) on disposal of non-financial assets**
  Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting the proceeds from the carrying value of the asset at the time.
- **Amortisation of non-produced intangible assets**
  Intangible non-produced assets with finite lives are amortised as an other economic flow on a systematic (typically straight-line) basis over the asset's useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.
- **Gain/(loss) arising from transactions in foreign exchange**
  Refer to Note 1(S) Foreign currency balances/transactions.
- **Impairment of non-financial assets**
  Goodwill and intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.
  All other assets are assessed annually for indications of impairment, except for:
  - non-financial physical assets held for sale (refer Note 1(N)).

  If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as an other economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

  If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

  It is deemed that, in the event of the loss or destruction 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. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs 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 costs to sell.

  Refer to Note 1(N) in relation to the recognition and measurement of non-financial assets.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

- realised and unrealised gains and losses from revaluations of financial instruments at fair value;
- impairment and reversal of impairment for financial instruments at amortised cost (refer to Note 1(L)); and
- disposals of financial assets and derecognition of financial liabilities.

- **Revaluations of financial instruments at fair value**
  Refer to Note 1(L) Financial instruments.
- **Share of net profits/(losses) of associates and jointly controlled entities, excluding dividends**
  Refer to Note 1(D) Basis of consolidation.
- **Other gains/(losses) from other economic flows**
  Other gains/(losses) from other economic flows include the gains or losses from:
  - the revaluation of the present value of the long service leave liability due to changes in the bond interest rates; and
  - transfer of amounts from the reserves to accumulated surplus or net result due to disposal or derecognition or reclassification.

Notes to the Financial Statements Year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(k) Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The following refers to financial instruments unless otherwise stated.

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(M)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Available-for-sale financial assets

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset.

Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investments are disposed.

Movements resulting from impairment and foreign currency changes are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Fair value is determined in the manner described in Note 17 Financial instruments.

Available-for-sale category includes certain equity investments and those debt securities that are designated as available for sale.

Financial assets and liabilities at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the entity concerned based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

Financial assets and liabilities at fair value through profit or loss include the majority of the Company's equity investments, debt securities, and borrowings.

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method (refer to Note 23).

Financial instrument liabilities measured at amortised cost include all of the Company's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

Financial instrument assets that meet the definition of loans and receivables may be reclassified out of the fair value through profit and loss category into the loans and receivables category, where they would have met the definition of loans and receivables had they not been required to be classified as fair value through profit and loss. In these cases, the financial instrument assets may be reclassified out of the fair value through profit and loss category, if there is the intention and ability to hold them for the foreseeable future or until maturity.

Available-for-sale financial instrument assets that meet the definition of loans and receivables may be reclassified into the loans and receivables category if there is the intention and ability to hold them for the foreseeable future or until maturity.

(l) Financial assets

Cash and deposits

Cash and cash equivalents comprises cash on hand, cash at bank, deposits at call and those highly liquid investments (with an original maturity of three months or less), which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and readily convertible to known amounts of cash with an insignificant risk of changes in value.

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 Goods and Services Tax (GST) input tax credits recoverable.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments. Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

Notes to the Financial Statements Year ended 30 June 2016

1. **Summary of Significant Accounting Policies** (continued)

(l) Financial assets (continued)

Other financial assets

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(M)).

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either:

(a) has transferred substantially all the risks and rewards of the asset; or

(b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Company's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

(m) Non-financial assets

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 (K)). Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The initial cost for non-financial physical assets under a finance lease (refer to Note 1(O)) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost, or where the infrastructure is held by a for-profit entity, the fair value may be derived from estimates of the present value of future cash flows.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(k) impairment of non-financial assets.

More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 8 Property, plant and equipment.

Intangible assets

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Company.

When the recognition criteria in AASB 138 Intangible Assets are met, internally generated intangible assets are recognised and measured at cost less accumulated depreciation/amortisation and impairment.

Refer to Note 1(I) Depreciation, Note 1(J) Amortisation of non produced intangible assets and Note 1(J) Impairment of non-financial assets.

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) the ability to use or sell the intangible asset;

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

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

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

Notes to the Financial Statements Year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(m) Non-financial assets (continued)

Prepayments

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(n) Liabilities

Payables

Payables consists of:

- Contractual payables, such as accounts payable unearned income. which are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Accounts payable represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid, and arise when the Company becomes obliged to make future payments in respect of the purchase of those goods and service; and
- Statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(K)). Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

Borrowings

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs (refer also to Note 1(O) Leases). The measurement basis subsequent to initial recognition depends on whether the Company has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The above classification depends on the nature and purpose of the interest bearing liabilities. The Company determines the classification of its interest bearing liabilities at initial recognition.

Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using discount rate that reflects the time value of money and risks specific to the provision.

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

- **Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date.

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits annual leave and accumulating sick leave, are all recognised in the provision for employee benefits as ‘current liabilities’, because the Company does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- nominal value – if the Company expects to wholly settle within 12 months;
- or present value – if the Company does not expect to wholly settle within 12 months

(ii) Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Company does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value if the Company expects to wholly settle within 12 months; and
- present value if the Company does not expect to wholly settle within 12 months.

Conditional LSL is disclosed 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.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised in the ‘net result from transactions’, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised in the net result as an other economic flow (refer to Note 1(J)).

- **Employee benefits on-costs**

Employee benefits on-costs such as payroll tax, and workers compensation are recognised separately from the provision for employee benefits.

(o) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership.

Notes to the Financial Statements Year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(o) Leases (continued)

Finance Leases

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is accounted for as a non-financial physical asset. If there is certainty that the Company will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

(p) 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 15) at their nominal value and inclusive of the GST payable.

(q) Contingent Liabilities

Contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 16) and, if quantifiable, are measured at nominal value. Contingent liabilities are presented inclusive of GST payable.

(r) Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items at the end of the reporting period are translated at the closing rate at the end of the reporting period. Foreign currency translation differences are recognised in other economic flows and accumulated in a separate component of equity in the period in which they arise.

(s) Australian Accounting Standards issued that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The Company assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2016, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2016. The Company has not, and does not intend to, adopt these standards early.

Topic	Key requirements	Effective date
AASB 9 *Financial Instruments*	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2018
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]*	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018

Notes to the Financial Statements Year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(s) Australian Accounting Standards issued that are not yet effective (continued)

Topic	Key requirements	Effective date
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018
AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* *[AASB 116 & AASB 138]*	AASB 2014-4 amends AASB 116 and AASB 138 to: establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; clarify that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends.	1 January 2017,except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018
AASB 2014-9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]*	Amends AASB 127 to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. In particular, dividends from a subsidiary, a joint venture or an associate are recognised in profit or loss in the separate financial statements of an entity when the entity's right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.	1 January 2016
AASB 2014-*10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]*	Amends AASB 10 and AASB 128 to ensure consistent treatment in dealing with the sale or contribution of assets between an investor a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and a partial gain or loss to be recognised when a transaction involves housed in a subsidiary.	1 January 2016

Notes to the Financial Statements Year ended 30 June 2016

1. Summary of Significant Accounting Policies (continued)

(s) Australian Accounting Standards issued that are not yet effective (continued)

Topic	Key requirements	Effective date
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Amends the methods of disposal in AASB 5 Non current assets held for sale and discontinued operations. Amends AASB 7 Financial Instruments by including further guidance on servicing contracts.	1 January 2016
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not for Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	AASB 2015-6 extends the scope of AASB 124 Related Party Disclosures to not for profit public sector entities. Guidance has been included to assist the application of the Standard by not for profit public sector entities.	1 January 2016

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2015-16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1056 Superannuation Entities
- AASB 1057 Application of Australian Accounting Standards
- AASB 2014-1 Amendments to Australian Accounting Standards [Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]
- AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & A ASB 1057]
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

Notes to the Financial Statements Year ended 30 June 2016

2. Income from transactions

		Consolidated		The Company	
		2016 $	2015 $	2016 $	2015 $
(a)	**Revenue from rendering services and royalties**				
	Rendering services	10,374,131	12,100,507	10,374,431	12,109,921
	Royalty income	8,711,813	7,742,400	8,711,813	7,742,400
	Total revenue from rending services and royalties	**19,085,944**	**19,842,907**	**19,086,244**	**19,852,321**
(b)	**Interest**				
	Interest on bank deposits	580,493	645,533	572,992	635,581
	Total interest	**580,493**	**645,533**	**572,992**	**635,581**
	Total income from transactions	**19,666,437**	**20,488,440**	**19,659,236**	**20,487,902**

3. Expenses from transactions

		Consolidated		The Company	
		2016 $	2015 $	2016 $	2015 $
(a)	**Employee expenses**				
	Salaries, wages and annual and long service leave	1,529,294	1,274,854	1,529,294	1,274,854
	Defined contribution superannuation expense	119,740	159,424	119,740	159,424
	Defined benefit superannuation expense	36,054	26,090	36,054	26,090
	Total employee expenses	**1,685,088**	**1,460,368**	**1,685,088**	**1,460,368**
(b)	**Depreciation**				
	Plant equipment and vehicles	36,756	38,045	36,756	38,045
	Intangible produced assets	50,689	241,255	50,689	241,255
	Total depreciation	**87,445**	**279,300**	**87,445**	**279,300**
(c)	**Interest expense**				
	Interest on finance lease	323	950	323	950
	Total interest expense	**323**	**950**	**323**	**950**
(d)	**Operating expenses**				
	Contract research and development project expenses	7,701,351	9,126,057	7,661,351	9,096,057
	Royalty expenses	4,454,603	5,289,872	4,454,603	5,289,872
	Patent expenses	1,260,232	1,489,397	1,238,659	1,433,440
	Rent and utilities	242,664	229,375	242,664	229,375
	Insurance	106,838	112,104	106,838	112,104
	Legal	137,512	72,933	137,512	72,633
	Consultants	23,778	34,511	23,778	34,511
	Audit services	56,840	58,077	50,440	51,777
	Other borrowing costs (other than interest)	2,562	2,035	2,562	2,035
	Other operating expenses	410,993	278,855	410,528	278,482
	Total operating expenses	**14,397,373**	**16,693,216**	**14,328,935**	**16,600,286**
	Total expenses from transactions	**16,170,229**	**18,433,834**	**16,101,791**	**18,340,904**

Notes to the Financial Statements Year ended 30 June 2016

4. Other economic flows included in net results

		Consolidated		The Company	
		2016 $	2015 $	2016 $	2015 $
(a)	**Net gain/(loss) on non-financial assets**				
	Impairment of intangible assets	-	(237,190)	-	(237,190)
	Net gain/(loss) on disposal of plant and equipment	18,678	(49)	18,678	(49)
	Total net gain/(loss) on non-financial assets	**18,678**	**(237,239)**	**18,678**	**(237,239)**
(b)	**Net gain/(loss) on financial instruments**				
	Net FX gain/(loss) arising from foreign cash and transactions	(130)	(1,829)	(130)	(1,829)
	Total net gain/(loss) on financial instruments	**(130)**	**(1,829)**	**(130)**	**(1,829)**
(c)	**Other gain /(losses)from other economic flows**				
	Net gain/(loss) arising from revaluation of long service leave liability[(i)]	(3,181)	(3,008)	(3,181)	(3,008)

Notes:
(i) Revaluation gain/loss due to changes in bond rates

5. Receivables

	2016 $	2015 $	2016 $	2015 $
Current receivables				
Contractual				
Sale of services and royalties[(i)]	313,002	239,425	313,002	239,425
Provision for doubtful receivables	-	-	-	-
Accrued interest income	149,107	119,691	148,544	119,528
Other receivables[(i)]	147,183	241,118	147,183	241,118
Amounts owed from related entities	54,998	4,281	54,998	4,672
	664,290	604,515	663,727	604,743
Statutory				
GST input tax credit recoverable	789,615	464,301	789,527	463,973
Total current receivables	**1,453,905**	**1,068,816**	**1,453,254**	**1,068,716**

Notes:
(i) The average credit period for sales of services and for other receivables is 30 days. No interest is charged for the first 30 days from the date of the invoice

a) **Ageing analysis of receivables**
Please refer to table 17.2 in note 17 for the aging analysis of receivables.

(b) **Nature and extent of risks arising from receivables**
Please refer to Note 17 for the nature and extent of risk arising from receivables.

Notes to the Financial Statements Year ended 30 June 2016

6. Other financial assets

	Consolidated		The Company	
	2016	2015	2016	2015
	$	$	$	$
Non-current				
Available-for-sale				
Investments in unlisted controlled entities at cost(i)	-	-	855,002	855,002
	-	**-**	**855,002**	**855,002**

(i) Notes; Investment in wholly owned subsidiary & controlled entity Phytogene Pty Ltd. Refer also to Note 7.

(a) Ageing analysis of other financial assets
Refer to table 17.2 in note 17 for the aging analysis of other financial assets.

(b) Nature and extent of risks arising from other financial assets
Refer to Note 17 for the nature and extent of risks arising from other financial assets.

7. Interests in subsidiary entities

Particulars in relation to controlled entities:

	Ordinary Share Consolidated Entity Interest	
	2016	2015
	%	%
Parent entity		
Agriculture Victoria Services Pty Ltd		
Controlled entities		
Phytogene Pty Ltd	100	100

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 Economic Development, Jobs, Transport and Resources. The operating results of the entity have been included in the consolidated operating profit contained within these financial statements.

8. Plant and equipment

	2016	2015
	$	$
Table 8.1 Carrying amounts		
Plant, equipment and vehicles at fair value	105,774	96,344

Table 8.2 Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
Plant, equipment and vehicles at fair value	131,581	175,899	25,807	79,555	105,774	96,344

Table 8.3 Movements in carrying amounts

	Plant, equipment and vehicles at fair value	
	2016	2015
	$	$
Opening balance	**96,344**	**70,656**
Additions	96,327	63,782
Disposal	(50,141)	(49)
Depreciation	(36,756)	(38,045)
Closing Balance	**105,774**	**96,344**

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

Notes to the Financial Statements Year ended 30 June 2016

8. Plant and equipment (continued)

Table 8.4 Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:		
		Level 1(i)	Level 2(i)	Level 3(i)
	$	$	$	$
Plant, equipment and vehicles at fair value				
Vehicles	105,621	-	-	105,621
Plant and equipment	153	-	-	153
Total of plant, equipment and vehicles at fair value	**105,774**	**-**	**-**	**105,774**

Note:
(i) Classified in accordance with the fair value hierarchy in Note 1(c)

Table 8.5 Fair value measurement hierarchy for assets as at 30 June 2015

	Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
		Level 1(i)	Level 2(i)	Level 3(i)
	$	$	$	$
Vehicles	95,653	-	-	95,653
Plant and equipment	691	-	-	691
Total of plant, equipment and vehicles at fair value	**96,344**	**-**	**-**	**96,344**

There have been no transfers between levels during the period.

Vehicles
Vehicles are valued using the depreciated replacement cost method. The Company acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by the fleet manager who sets relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant and equipment
Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using the depreciated replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2016.

For all assets measured at fair value, the current use is considered the highest and best use.

Table 8.6 Description of significant unobservable inputs to level 3 valuations

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair measurement to changes in significant unobservable inputs
Vehicles	Depreciated replacement cost	Cost per unit	$10,000 - $30,000 per unit ($26,000 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value
		Useful life of vehicles	2-5 years (4 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significant higher or lower valuation.
Plant and Equipment	Depreciated replacement cost	Cost per unit	$50-$100 per unit ($80 per unit)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value
		Useful life of Plant & Equipment	2-5 years (4 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significant higher or lower valuation.

Notes to the Financial Statements Year ended 30 June 2016

9. Intangible assets

	Oilseed development program(i)		Juncea Oilseeds(i)		HOLL Oilseeds(i)		Computer Software		Total	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
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	-	-	(560,000)	-	-	-	-	-	(560,000)	-
Closing balance	**1,506,677**	1,506,677	**-**	560,000	**300,000**	300,000	**15,796**	15,796	**1,822,473**	2,382,473
Accumulated amortisation and impairment										
Opening balance	(1,376,120)	(1,130,008)	(560,000)	(346,987)	(119,424)	(101,424)	(15,796)	(14,476)	(2,071,340)	(1,592,895)
Amortisation	(32,638)	(188,335)	223,092	(33,600)	(18,049)	(18,000)	-	(1,320)	172,405	(241,255)
Impairment losses charged to net result(ii)	-	(57,777)	-	(179,413)	-	-	-	-	-	(237,190)
Reversal of impairment losses	-	-	336,908	-	-	-	-	-	336,908	-
Closing balance	**(1,408,758)**	(1,376,120)	**-**	(560,000)	**(137,473)**	(119,424)	**(15,796)**	(15,796)	**(1,562,027)**	(2,071,340)
Net book value at end of financial year	**97,919**	130,557	**-**	-	**162,527**	180,576	**-**	-	**260,446**	311,133

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

Notes:
(i) The Oilseeds, Juncea and Holl development programs represent internally generated intangible assets that have arisen from development expenditure.
(ii) Impairment losses are included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement.

10. Payables

	Consolidated		The Company	
	2016 $	2015 $	2016 $	2015 $
Current payables				
Contractual				
Supplies and services(i)	21,386	142,233	21,386	135,116
Amounts payable to the Department(ii)	5,679,029	6,600,984	5,639,029	6,600,984
Amounts payables to subsidiary entity	-	-	-	390
Other payables and accrued expenses	795,754	864,243	789,354	857,585
	6,496,169	7,607,460	6,449,769	7,594,075
Statutory				
GST Payable	93,319	103,371	93,319	103,371
Total current payables	**6,589,488**	**7,710,831**	**6,543,088**	**7,697,446**

Notes:
(i) The average credit period is 30 days.
(ii) Terms and conditions of amounts payable to the Department vary according to the particular agreement

(a) Maturity analysis of contractual payables

Please refer to table 17.3 in Note 17 for the aging analysis of payables

(b) Nature and extent of risk arising from contractual payables

Please refer to Note 17 for the nature and extent of risks arising from payables.

Notes to the Financial Statements Year ended 30 June 2016

11. Borrowings

	Consolidated		The Company	
	2016 $	2015 $	2016 $	2015 $
Current borrowings				
Finance lease liabilities(i)	6,416	24,035	6,416	24,035
Total current borrowings	**6,416**	**24,035**	**6,416**	**24,035**
Non-Current borrowings				
Finance lease liabilities(i)	24,383	-	24,383	-
Total non-current borrowings	**24,383**	**-**	**24,383**	**-**
Total borrowings	**30,799**	**-**	**30,799**	**-**

Notes:

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

(a) Maturity analysis of borrowings

Please refer to Table 17.3 in Note 17 for the maturity analysis of borrowings.

(b) Nature and extent of risk arising from borrowing

Please refer to Note 17 for the nature and extent of risks arising from borrowings.

Notes to the Financial Statements Year ended 30 June 2016

12. Provisions

	Consolidated		The Company	
	2016 $	2015 $	2016 $	2015 $
Current provisions				
Employee benefits (Note 12(a))(i)				
Annual Leave and Executive Bonuses				
Unconditional and expected to be settled within 12 months(ii)	105,291	126,227	105,291	126,227
Long service leave				
Unconditional and expected to be settled within 12 months(ii)	29,218	156,280	29,218	156,280
Unconditional and expected to be settled after 12 months(ii)	107,731	128,841	107,731	128,841
	242,240	411,348	242,240	411,348
On-costs				
Unconditional and expected to be settled within 12 months(ii)	19,403	28,161	19,403	28,161
Unconditional and expected to be settled after 12 months(ii)	17,020	13,876	17,020	13,876
	36,423	42,037	36,423	42,037
Total current provisions	**278,663**	**453,385**	**278,663**	**453,385**
Non-current				
Employee benefits	46,238	51,174	46,238	51,174
On-costs	7,305	5,511	7,305	5,511
Total non-current employee benefits	**53,543**	**56,685**	**53,543**	**56,685**
Total provisions	**332,206**	**510,070**	**332,206**	**510,070**

Notes:

(i) Employee benefits consist of annual leave and long service leave accrued by employee and executive bonuses. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision.

(ii) Amounts are measured at present value

(a) Employee benefits and related on-costs(i)

	2016 $	2015 $	2016 $	2015 $
Current employee benefits				
Annual leave	105,291	126,227	105,291	126,227
Long service leave	136,949	285,121	136,949	285,121
	242,240	411,348	242,240	411,348
Non-current employee benefits				
Long service leave	46,238	51,174	46,238	51,174
Total employee benefits	**288,478**	**462,522**	**288,478**	**462,522**
Current on-costs	36,423	42,037	36,423	42,037
Non-current on-costs	7,305	5,511	7,305	5,511
Total on-costs	**43,728**	**47,548**	**43,728**	**47,548**
Total employee benefits and on-costs	**332,206**	**510,070**	**332,206**	**510,070**

(b) Movement in provisions

	2016 $	2015 $	2016 $	2015 $
Opening balance	510,070	130,395	510,070	130,395
Additional provision recognised	69,861	148,343	69,861	148,343
Additions due to transfers in	-	339,537	-	339,537
Reduction arising from payments	(256,394)	(148,158)	(256,394)	(148,158)
Effect of changes in discount rate	8,669	39,953	8,669	39,953
Closing balance	**332,206**	**510,070**	**332,206**	**510,070**
Current	278,663	453,385	278,663	453,385
Non-current	53,543	56,685	53,543	56,685
	332,206	**510,070**	**332,206**	**510,070**

Notes to the Financial Statements Year ended 30 June 2016

13. Superannuation

The Company contributes to both defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

The Company does not recognise any defined benefit liability in respect of the plan(s) because the entity has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay the superannuation contributions as they fall due. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Company.

There were no unfunded liabilities at the 30 June 2016, 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	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Direct benefit plans:				
State Superannuation Fund – and new	22,157	26,090	22,157	26,090
Defined contribution plans:				
VicSuper	65,822	98,225	65,822	98,225
Other	67,815	61,199	67,815	61,199
Total	**155,794**	**185,514**	**155,794**	**185,514**

14. Leases

Finance leases
Leasing arrangements
Finance leases relate to motor vehicles with a lease term of 2 years. The lessees have the option to purchase the vehicles for a nominal amount at the conclusion of the lease agreement

	Minimum lease payments		Present value of minimum future lease payments	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
No longer than one year	7,322	24,733	7,322	24,733
Longer than one year and not longer than two years	7,322	-	7,322	-
Longer than two years and not longer than three years	18,021	-	18,021	-
Minimum lease payments				
Less: future finance charges	(1,866)	(698)	(1,866)	(698)
Present value of minimum lease payments	**30,799**	**24,035**	**30,799**	**24,035**
Included in the financial statements as:				
Current borrowings lease liability (Note 11)			6,416	24,035
Non-current borrowings lease liability (Note 11)			24,383	-
			30,799	**24,035**

15. Commitments for expenditure

(a) Investment Expenditure Commitments[(i)]
There are no investment expenditure commitments as at 30 June 2016.

(b) Capital commitments
There are no capital commitments as at 30 June, 2016.

16. Contingent liabilities

There are no contingent liabilities as at 30 June, 2016 (2015: Nil)

Notes to the Financial Statements Year ended 30 June 2016

17. Financial instruments

The Company's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), investments in equities, payables (excluding statutory payables), and finance lease liabilities payable.

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 17.1: Categorisation of financial instruments for the consolidated entity

Financial asset	Note	Category	Consolidated Carrying amount 2016 $	Consolidated Carrying amount 2015 $	Company Carrying amount 2016 $	Company Carrying amount 2015 $
Cash and deposits	18a	Cash	22,106,033	20,230,733	21,746,356	19,842,283
Receivables(i)	5	Loans and receivables (at amortised cost)	664,290	604,515	663,727	604,743
Other financial assets	6	Available-for-sale financial assets (at fair value)	-	-	855,002	855,002

Financial liabilities	Note	Category	Consolidated Carrying amount 2016 $	Consolidated Carrying amount 2015 $	Company Carrying amount 2016 $	Company Carrying amount 2015 $
Payables(i)	10	Financial liabilities (at amortised cost)	6,496,169	7,607,460	6,449,769	7,594,075
Finance lease liabilities	11	Financial liabilities (at amortised cost)	30,799	24,035	30,799	24,035

Notes:
(i) 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 deposits, non-statutory 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 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 contractual financial assets is recognised when there is objective evidence that the consolidated entity will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments and changes in debtor 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 17.1.

Contractual financial assets that are either past due or impaired

Impaired financial assets are detailed in table 17.2. 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.

The following table discloses the ageing only of financial assets that are past due but not impaired:

Notes to the Financial Statements Year ended 30 June 2016

17. Financial instruments (continued)

Table 17.2: Interest rate exposure and aging analysis of financial assets for the consolidated entity

2016	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	0.05	672,963	-	672,963	-	672,963	-	-	-	-
Deposits at call	1.90	1,247,672	-	1,247,672	-	1,247,672	-	-	-	-
Deposits < 60 days	2.22	20,185,398	20,185,398	-	-	20,185,398	-	-	-	-
Receivables(i)	-	664,290	-	-	664,290	522,717	141,573	-	-	-
		22,770,323	20,185,398	1,920,635	664,290	22,628,750	141,573	-	-	-
2015										
Cash at bank	0.05	606,781	-	606,781	-	606,781	-	-	-	-
Deposits at call	2.42	239,939	-	239,939	-	239,939	-	-	-	-
Deposits < 60 days	2.56	19,384,013	335,000	19,049,013	-	19,384,013	-	-	-	-
Receivables(i)	-	604,515	-	-	604,515	567,776	36,739	-	-	-
		20,835,248	335,000	19,895,733	604,515	20,798,509	36,739	-	-	-

Notes:

(i) 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 17.3.

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

Notes to the Financial Statements Year ended 30 June 2016

17. Financial instruments (continued)

Table 17.3: Interest rate exposure and maturity analysis of financial liabilities for the consolidated entity

2016	Weighted average effective interest rate %	Carrying amount(i)	Interest rate exposure: Fixed interest rate	Interest rate exposure: Variable interest rate	Interest rate exposure: Non interest bearing	Nominal amount	Maturity dates: Current	Maturity dates: 1- 3 months	Maturity dates: 3 months - 1 year	Maturity dates: > 1 year
Payables(i):										
Supplies and services		21,386	-	-	21,386	21,386	21,386	-	-	-
Amounts payable to the Department		5,679,029	-	-	5,679,029	5,679,029	5,663,354	15,675	-	-
Other payables		795,754	-	-	795,754	795,754	795,754	-	-	-
Borrowings(i):										
Finance lease liabilities	3.25	30,799	30,799	-	-	30,799	6,416	-	-	24,383
		6,526,968	30,799	-	6,496,169	6,526,968	6,486,910	15,675	-	24,383
2015										
Payables(i):										
Supplies and services		142,233	-	-	142,233	142,233	141,939	294	-	-
Amounts payable to the Department		6,600,984	-	-	6,600,984	6,600,984	6,577,664	23,320	-	-
Other payables		864,243	-	-	864,243	864,243	864,243	-	-	-
Borrowings(i):										
Finance lease liabilities	4.50	24,035	24,035	-	-	24,035	921	1,843	21,271	-
		7,631,495	24,035	-	7,607,460	7,631,495	7,584,767	25,457	21,271	-

Notes:
(i) The carrying amounts disclosed exclude statutory amounts.

(c) Market risk

The consolidated entity's exposure to market risk are primarily through foreign currency and interest rate risk.

Foreign currency risk

The consolidated entity enters into a relatively small number of transactions denominated in foreign currencies. It reduces its exposure to foreign currency risk through monitoring of movements in exchange rates and ensuring availability of funds through rigorous cash flow planning and monitoring.

The consolidates entity's sensitivity to foreign currency movements is set out in table 17.4.

Interest rate risk

The consolidated entity does not hold any interest bearing financial instruments that are measured at fair value and therefore has nil exposure to fair value interest rate risk.

The consolidated entity has minimal exposure to cash flow interest rate risk through its cash and deposits and lease liabilities that are at a floating rate.

The consolidated entity manages this risk by mainly undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded that cash at bank financial assets can be left at floating rate without necessarily exposing the consolidated entity to significant bad risk. Management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 17.2 and 17.3. In addition, the Company's sensitivity to interest rate risk is set out in Table 17.4.

Sensitivity disclosure analysis and assumptions

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 +0.5 per cent and -0.5 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.

Notes to the Financial Statements Year ended 30 June 2016

17. Financial instruments (continued)

Table 17.4 Market risk exposure for the consolidated entity

2016	Carrying amount	Interest rate risk	
		-0.5%	+0.5%
		Net result	Net result
Financial assets			
Cash and deposits	22,106,033	(110,530)	110,530
Receivables[i]	664,290	-	-
Other financial assets	-	-	-
Financial liabilities			
Payables[i]	6,496,169	-	-
Finance lease liabilities	30,799	-	-
Total increase/(decrease)		**(110,530)**	**110,530**

2015	Carrying amount	Interest rate risk	
		-0.5%	+0.5%
		Net result	Net result
Financial assets			
Cash and deposits	20,230,733	(101,154)	101,154
Receivables[i]	604,515	-	-
Other financial assets	-	-	-
Financial liabilities			
Payables[i]	7,607,460	-	-
Finance lease liabilities	24,035	-	-
Total increase/(decrease)		**(101,154)**	**101,154**

Notes:

(i) The carrying amounts disclosed exclude statutory amounts.

(d) Fair value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The consolidated entity considers the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a reasonable approximation of their fair value, either due to their short term nature or with the expectation that they will be paid in full. No financial assets and financial liabilities are readily traded on organised markets.

The following table shows that there are no financial assets for which the carrying amount exceeds the net fair value.

Notes to the Financial Statements Year ended 30 June 2016

17. Financial instruments (continued)

Table 17.5 Comparison between carrying amount and fair value

	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
	$	$	$	$
Financial assets				
Cash at bank	672,963	672,963	606,781	606,781
Deposits at call	1,247,672	1,247,672	239,939	239,939
Deposits < 60 days	20,185,398	20,185,398	19,384,013	19,384,013
Receivables	664,290	664,290	604,515	604,515
Total financial assets	**22,770,323**	**22,770,323**	**20,835,248**	**20,835,248**
Financial liabilities				
Supplies and services(i)	21,386	21,386	142,333	142,333
Amounts payable to the Department	5,679,029	5,679,029	6,600,984	6,600,984
Other payables	795,754	795,754	864,243	864,243
Finance lease liabilities	30,799	30,799	24,035	24,035
Total financial liabilities	**6,526,968**	**6,526,968**	**7,631,495**	**7,631,495**

Notes:

(i) The carrying amounts disclosed exclude statutory amounts (ie GST input tax credit recoverable and GST payable).

18. Cash flow information

(a) Reconciliation of cash and deposits

	Consolidated		The Company	
	2016 $	2015 $	2016 $	2015 $
Cash at bank and on hand	672,963	606,781	660,940	583,252
Deposits at call	1,247,672	239,939	1,220,018	210,018
Deposits < 60 days	20,185,398	19,384,013	19,865,398	19,049,013
Cash and deposits	**22,106,033**	**20,230,733**	**21,746,356**	**19,842,283**

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

	Consolidated		The Company	
	2016 $	2015 $	2016 $	2015 $
Net result for the period	3,511,575	1,812,530	3,572,812	1,904,922
Non-cash movements				
Depreciation and amortisation	87,445	279,300	87,445	279,300
(Gain)/loss on sale of plant and equipment	(18,678)	49	(18,678)	49
Impairment loss/(reversal) of intangible assets	-	237,190	-	237,190
Movements in assets and liabilities				
(Increase)/decrease in receivables	(385,089)	(442,902)	(384,539)	(444,114)
Increase/(decrease) in payables	(1,121,344)	(4,971,174)	(1,154,358)	(4,972,196)
Increase/(decrease) in provisions	(177,864)	379,675	(177,864)	379,675
Net cash from/(used in) operating activities	**1,896,045**	**(2,705,322)**	**1,924,819**	**(2,615,174)**

Notes to the Financial Statements Year ended 30 June 2016

19. Responsible persons

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

Dr. C. Noble (Chairman)	1 July 2015 to 30 June 2016	Dr. J. Slocombe	1 July 2015 to 30 June 2016
Mr. P. Turvey	1 July 2015 to 30 June 2016	Ms. K. Adams	1 July 2015 to 30 June 2016
Mr. A. Christianen	1 July 2015 to 30 June 2016		

Director Remuneration

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	
	2016 $	2015 $	2016 $	2015 $
Fees	92,295	90,781	92,295	90,781
Superannuation	8,768	8,624	8,768	8,624
	101,063	99,405	101,063	99,405

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

	Consolidated		The Company	
	2016 $	2015 $	2016 $	2015 $
$0 - $9,999	1	2	-	1
$10,000 - $19,999	4	4	4	4
$20,000 - $29,999	1	1	1	1
	6	7	5	6

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

Executive Remuneration

Remuneration received or receivable by the accountable officer and Company executives in connection with the management of the Company during the reporting period are detailed below.

Their total remuneration during the reporting period is shown in the first two columns in the table below in their relevant income bands. The base remuneration is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
	2016 $ No.	2015 $ No.	2016 $ No.	2015 $ No.
$100,000 - $109,999	-	-	1	-
$110,000 - $119,999	2	-	-	-
$120,000 - $129,999	-	-	-	-
$130,000 - $139,999	1	-	-	-
$140,000 - $149,999	-	-	1	-
$150,000 - $159,999	-	-	1	-
$160,000 - $169,999	1	-	-	-
$170,000 - $179,999	-	-	-	2
$180,000 - $189,999	-	2	-	-
$190,000 - $199,999	1	-	-	-
Total number of executives	**5**	**2**	**3**	**2**
Total annualised employee equivalents(i)	**2**	**2**	**2**	**2**
Total amount	**$718,551**	**$381,387**	**$483,659**	**$350,515**

Note:

(i) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

Notes to the Financial Statements Year ended 30 June 2016

20. Related party disclosure

Details of the directors' remuneration and retirement benefits are set out in Note 19.

Other than where set out in Note 19, 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, 2016 the Victorian Government Department of Economic Development, Jobs Transport and Resources 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	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Revenues				
Received from Department	2,691,863	2,871,130	2,691,863	2,871,130
Received from wholly owned controlled entities	-	-	330	9,414
Expenses				
Paid to Department	9,154,368	9,659,719	9,114,368	9,659,719
Paid to wholly owned controlled entities	-	-	-	-

21. Remuneration of auditors

	Consolidated		The Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
External Audit Services				
Victorian Auditor General's Office				
Audit of the Financial Report	39,300	38,400	32,900	32,100
	39,300	38,400	32,900	32,100
Internal Audit Services				
HLB Mann Judd Pty Ltd	17,540	19,677	17,540	19,677
	56,840	**58,077**	**50,440**	**51,777**

22. Subsequent events

No matters and/or circumstances have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Company.

Notes to the Financial Statements Year ended 30 June 2016

23. 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 comprehensive income.

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'.

Employee benefits expenses
Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

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 liability
A financial liability is any liability that is:
(a) a contractual obligation:
- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) 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 deliver 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. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements
A complete set of financial statements in the Model Report comprises:
(a) balance sheet as at the end of the period;
(b) comprehensive operating statement for the period;
(c) a statement of changes in equity for the period;
(d) cash flow statement for the period;
(e) notes, comprising a summary of significant accounting policies and other explanatory information; and
(f) comparative information in respect of the preceding period as specified in paragraphs 38 of AASB 101 Presentation of Financial Statements.

Interest expense
Costs incurred in connection with the borrowing of funds includes interest on bank overdrafts and short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings, interest component of finance leases repayments, and the increase in financial liabilities and non-employee provisions due to the unwinding of discounts to reflect the passage of time.

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 economic flows – other comprehensive income'.

Notes to the Financial Statements Year ended 30 June 2016

23. Glossary

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 included in net result
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.

Other economic flows – other comprehensive income
Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards.

The components of other economic flows other comprehensive income include:
(a) changes in physical asset revaluation surplus;
(b) share of net movement in revaluation surplus of associates and joint ventures; and
(c) gains and losses on remeasuring available-for-sale financial assets.

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

Produced assets
Produced assets include plant and equipment and certain intangible assets. Intangible produced assets may include computer software and research and development costs (which does not include the start-up costs associated with capital projects).

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

Sales of services
Refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of services, and work done as an agent.

Style conventions
Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

..	zero, or rounded to zero
(xxx.x)	negative numbers
200x	year period
200x 0x	year period

The financial statements and notes are presented based on the illustration for a government department in the 2015-16 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Company's annual reports.

Directors' Declaration

The Directors of the Company declare that:

(1) The financial statements and notes, have been prepared in accordance with the Corporations Act 2001 and:
   (a) Comply with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements; and
   (b) Give a true and fair view of the financial position and performance of the Company and Consolidated Entity for the year ended 30 June 2016, as set out in in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

(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.

(3) At the time of signing we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

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

Dr Clive Noble
Director
24 August 2016

Mr Antony Christianen
Director
24 August 2016

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Agriculture Victoria Services Pty Ltd

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 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 directors' declaration. The financial report is the consolidated financial statements of the consolidated entity, comprising Agriculture Victoria Services Pty Ltd and the entities it controlled at year end or from time to time during the financial year as disclosed in Note 1(d) to the consolidated financial statements.

The Directors' Responsibility for the Financial Report

The 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 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 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 basis 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, I and my staff and delegates have complied with the applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*, Australian Auditing Standards and relevant ethical pronouncements.

I confirm that I have given to the 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 company's and the consolidated entity's financial position as at 30 June 2016 and of their financial performance for the year ended on that date

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

MELBOURNE
25 August 2016

for Dr Peter Frost
Acting Auditor-General

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