Agriculture Victoria Services Pty Ltd

Annual Report 2014

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Mr JA Flintoft
Dr JM Slocombe
Mr PRE Turvey

Chief Executive Officer
Mr BG Lang

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Company Profile

History

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

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

Purpose and strategic priorities

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

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

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

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

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

What we do

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

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

Key relationships

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

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

Chairman's Review

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd

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 2014. The year in review has been a particularly positive one for AVS and it is with considerable optimism that we look forward to the Company's continued contribution to the growth of Victoria's food and fibre production.

AVS's activities throughout the 2014 year reflect the growing depth, breadth and complexity of the Company's business together with the importance of its role in providing a commercial interface to support the transfer of DEPI technologies to the marketplace.

Globalisation of the innovation pipeline has emphasised the importance of international collaborations to ensure that Victoria and Australia are at the leading edge of agricultural technology development and application. AVS has supported DEPI in developing relationships with major organisations and research groups in the Americas and Europe and the Company continues to look for new opportunities to expand its reach. The strategic relationship between DEPI and Dow AgroSciences has continued to flourish and expand, with three significant new agreements reached between AVS and Dow AgroSciences during 2014. Importantly, the new agreements reflect the next stage of the relationship whereby learnings and capabilities established in foundation projects will be consolidated and applied to the development of improved crops that are of importance to Victoria.

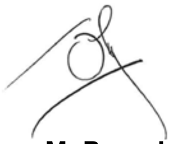
At the local level, AVS has continued to work closely with its Australian licensees to ensure that new varieties of legumes, cereals and horticultural crops are made available to farmers as they seek to increase productivity. The recent experience with Scope CL barley has been a particularly positive one and an exemplar of the way in which AVS investment funding has supported DEPI's development of the world's first herbicide-tolerant barley. Having now moved through its first full cycle of seed sales, planting and harvest, it is clear that adoption of this new variety – including Victorian growers – has been very strong.

In recent years AVS and DEPI have worked closely to clarify and better define their respective responsibilities for the key activities associated with intellectual property generation, protection and commercialisation. During 2014 this involved a major review of the operational model for delivery of commercialisation services, concluding with the decision to transfer staff from DEPI's Technology Commercialisation Branch to AVS to create a single commercialisation structure. The transfer, which is expected to occur early in the 2014–15 financial year, has the strong support of both DEPI and AVS and we look forward to the new structure delivering benefits to both organisations.

James Flintoft was welcomed to the Board in February 2014 following his appointment by the Minister. James brings to the role his extensive high-level experience in both the public and private sector, and his position as Deputy Secretary Agriculture Group at DEPI will help to ensure the strong strategic alignment between AVS and the Department continues. I was also pleased to receive confirmation recently of Cabinet's approval to extend the appointment of all other directors for a further term of office.

Finally, I would like to express gratitude to my fellow directors and the management and staff of AVS and DEPI's Technology Commercialisation Branch. Thanks to their efforts the Company is well positioned to continue to provide an important route to market for new and emerging technologies generated from DEPI's scientific endeavours.

Chief Executive Officer's report



Mr Bruce Lang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd

During the year in review, AVS has delivered intellectual property and commercialisation services to ensure the successful transfer of DEPI technologies to the private sector and the enhancement of its research and development activities through access to new technologies and commercial funding.

The financial performance of 2014 has continued the stable trend of recent years, generating a consolidated profit of $0.8 million and further strengthening of the Company's balance sheet. Importantly, of the total revenue of $17.0 million generated by AVS, $10.5 million or about 62 per cent was returned to DEPI, with a further $3.0 million distributed to external intellectual property equity stakeholders.

AVS has worked closely with its patent attorneys, DEPI research divisions and inventors to maintain and build intellectual property protection for key technologies. Fourteen patent filings were lodged throughout the period and six new plant varieties were submitted for Plant Breeder's Rights protection. In consultation with DEPI, AVS also led a program to review and enhance systems and processes relating to intellectual property capture and funding, early technology commercial assessment and portfolio monitoring and reporting.

Another active year in the development of commercial research and development agreements and technology licences saw AVS working both locally and internationally to establish and extend important relationships with the private sector.

AVS Investment Fund projects made good progress throughout the year, generating a solid commercial return to provide funding for subsequent reinvestment, continuing to deliver new products to farmers and providing financial support to enable proof of concept to be established in promising DEPI inventions.

In particular, the world's first herbicide-tolerant barley variety, Scope CL, was developed under an AVS investment project and is achieving adoption rates well above expectation, reflecting strong support from grain growers and the malting industry. Following its release in 2012, plantings in 2013 reflected a three-fold increase, with additional gains now expected in subsequent years. Further opportunities to build on the successes of Scope CL are being considered.

The decision to transfer staff from DEPI's Technology Commercialisation Branch to AVS early in the new financial year is welcomed. A very strong team culture already exists between the two entities and the establishment of a single structure will offer an opportunity to streamline and further enhance the delivery of intellectual property and commercialisation services to DEPI.

Governance is a constant focus for AVS and a number of initiatives have been undertaken throughout the year to ensure the Company meets and exceeds stakeholder expectations. During 2014 this included a major review of the Company's risk register, strengthening of its Audit and Risk Management Committee and a review of its Memorandum and Articles of Association with a view to their being modernised to reflect current legislative and shareholder expectations.

I would like to acknowledge and personally thank Melissa Jeal who recently resigned to pursue an important career opportunity. Melissa joined AVS as an assistant accountant 13 years ago and during her time at the Company rose to the position of Chief Financial Officer and Company Secretary, where she made a significant contribution to the strengthened governance, risk and financial frameworks that have been developed in the past few years. Melissa leaves with the thanks and best wishes of all at AVS.

The Board's direction, guidance and support as always, has been greatly appreciated. This, together with the professionalism and commitment of AVS and Technology Commercialisation Branch staff, has ensured the Company continues to effectively deliver intellectual property and commercialisation services to DEPI and its stakeholders. Novelty, complexity and opportunity are characteristics of our business environment and the 'team' is well placed to address the challenges in front of us.

The Board

Dr Clive Noble PSM
BAgrSci (Hons) PhD MAICD

Clive is Managing Director of AgInsight Pty Ltd, a consulting firm that provides science and technology advice to government, industry and the university and private 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, research and development 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
BAgrSci (Hons), LLM MBus, MEnvStud Prof Cert Arbitration, FAICD

Kathryn is an agricultural scientist and a lawyer. She has extensive experience in industry-focused research and development investment for agribusiness, having held senior executive and Board positions in the public and private sectors, including Chief Executive Officer of two research and development corporations and Director of the Queensland Horticulture Institute. She was the first registrar of Plant Breeder's Rights in Australia and an executive director with the Queensland Environment Protection 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.

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

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

James Flintoft
BSc, LLB (University of Melbourne), MBA (University of Pennsylvania)

James is Deputy Secretary for the Agriculture Group at DEPI. He is responsible 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 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.

The Board continued

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

Peter Turvey
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, a director of the industry organisation AusBiotech Ltd and a non-executive director of Starpharma Holdings Ltd and Admedus 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 intellectual property and for risk management within CSL. Peter joined the AVS Board on 13 July 2012 and is also a member of the AVS Audit and Risk Management Committee.

Summary of Financial Performance

A seven-year financial summary for Agriculture Victoria Services Pty Ltd and its controlled entities is provided in the following table. Further details relating to the 2014 and 2013 years are contained in the accompanying financial statements.

Seven-year financial summary	2014 $ '000	2013 $ '000	2012 $ '000	2011 $ '000	2010 $ '000	2009 $ '000	2008 $ '000
Total revenue	17,032	19,275	18,015	12,117	12,977	8,337	7,197
Total expenses	16,100	18,079	16,843	11,501	12,416	7,442	6,849
Other economic flows	(160)	2	270	21	(23)	(630)	(1,203)
Net profit/(loss)	**772**	**1,198**	**1,442**	**637**	**538**	**265**	**(855)**
Total assets	24,462	19,936	21,897	13,160	13,623	12,927	11,067
Total liabilities	12,812	9,058	12,217	4,922	6,022	5,864	4,131
Net worth	**11,650**	**10,878**	**9,680**	**8,238**	**7,601**	**7,063**	**6,936**
Net cash from operating	5,548	450	5,828	1,471	1,521	864	2,036
Net cash from investing	(17)	-	(26)	(155)	(406)	(335)	(652)
Net cash movement	**5,531**	**450**	**5,802**	**1,316**	**1,115**	**529**	**1,384**

Operating performance

The Consolidated Entity achieved a sound financial result in 2014, generating a net profit of $0.77 million. Revenue from all major sources remained strong, albeit at lower levels than the record highs achieved in 2013, and expenditure remained within budget.

Revenue

Consolidated revenue in 2014 of $17.03 million decreased by $2.24 million or 12 per cent on 2013 levels. Revenue reductions were evident across the three major sources of income generated by the Company.

Revenue from rendering services is primarily represented by income generated on behalf of DEPI through research and development agreements with the private sector, the most significant component of this being major milestone-based research collaborations. Revenues in this category achieved in 2014 were $10.70 million, $1.63 million lower than in 2013.

Gross royalty income reduced by $0.48 million or eight per cent from the record highs achieved in 2013. The reduction from $6.26 million to $5.78 million reflects a combination of factors that include a decline in income from canola sales as AVS varieties come to the end of their commercial life and new varieties are developed by an enabled private sector. This was partially offset by growth in returns from barley varieties, including those generated by the new herbicide-tolerant variety, Scope CL.

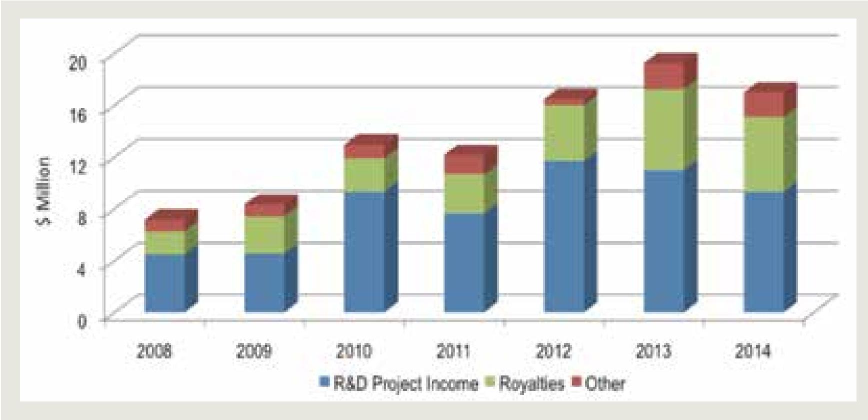
Interest income decreased from $0.67 million in 2013 to $0.53 million in 2014 as interest rates reduced throughout the year. In accordance with government policy, cash deposits and reserves are held with the Treasury Corporation of Victoria and attracted interest rates ranging from 2.45 per cent to 2.85 per cent during 2014.

Expenses

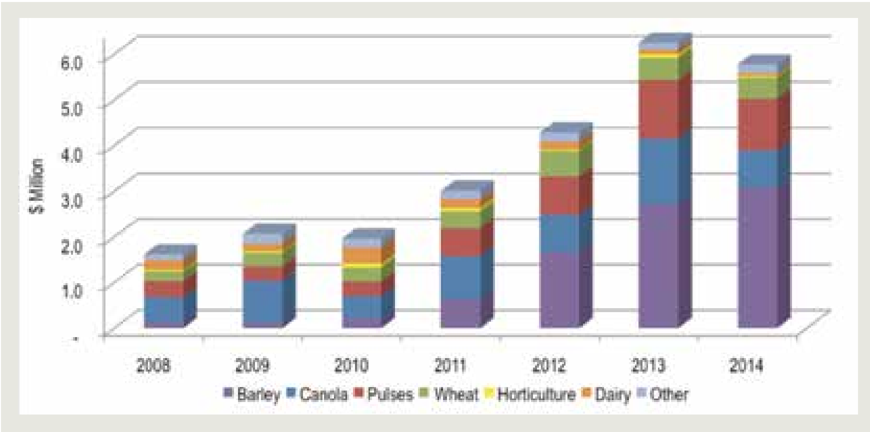
Total expenses decreased by $1.98 million from the previous year to $16.10 million, largely as a consequence of the reduced obligations to DEPI and other intellectual property equity holders arising from lower commercial project income and royalty receipts.

Summary of Financial Performance continued

Gross Income



Gross Royalty Income



Other economic flows

Other economic flows in the operating statement reflect the recognition of an impairment loss of $.016 million on the Company's investment in the Juncea Canola Project.

Balance sheet

At 30 June 2014 AVS net assets were $11.65 million compared with $10.88 million at 30 June 2013: the increase represented by the current year's net profit. The balance sheet continues to reflect a strong financial position with liquid assets exceeding liabilities by a factor of 1.94 to 1 (similar to the June 2012 position of 2.07 to 1). No external borrowings and strong cash reserves ensure AVS can meet current financial commitments as they fall due, while also having the funds available to support the acceleration of high potential innovation opportunities that emerge from DEPI's research activities.

Cash flow

The net increase in cash and cash equivalents of $5.53 million generated during the year was principally due to increased trade and other payables, which were partially offset by a net reduction in trade and other receivables. Payables at 30 June 2014 are principally due to DEPI.

Review of Operations

The review of the Company's operations for the 2013–14 year is summarised under its four areas of activity:

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

Intellectual property protection and management

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

	2008	2009	2010	2011	2012	2013	2014
Inventions (patent families)	54	54	60	61	67	70	60
Plant Breeder's Rights	68	65	62	54	52	56	58
Trade marks	12	12	12	12	11	12	12

Inventions held by the Company are represented by 447 patent filings throughout 34 countries and comprise a broad range of agricultural and related technologies. Plant Breeder's Rights registrations are held in Australia and overseas for various plant varieties, most of which are canola, cereal and pasture species but also include horticultural crops such as strawberries, peaches and potatoes.

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

A total of 14 patent filings were lodged throughout 2013–14. These were composed of new inventions, as well as extensions and variations to existing patents that broaden both their technical and geographic coverage. This total was significantly lower than last year, principally due to the large number of 'one-off' filings, triggered by Australia's new patent Act that came into force in 2012. The maturation of our patent portfolio is also reducing the need for the filing of further divisionals of existing patents.

One new invention was filed in the current year. This was directed to an improved method for the processing of DNA for the sequencing tasks that underpin the genomic research undertaken by DEPI. The total number of inventions covered by registration processes dropped, largely due to the aggregation of seven new applications which were combined into one large filing during this reporting period, and five applications into two aggregated filings.

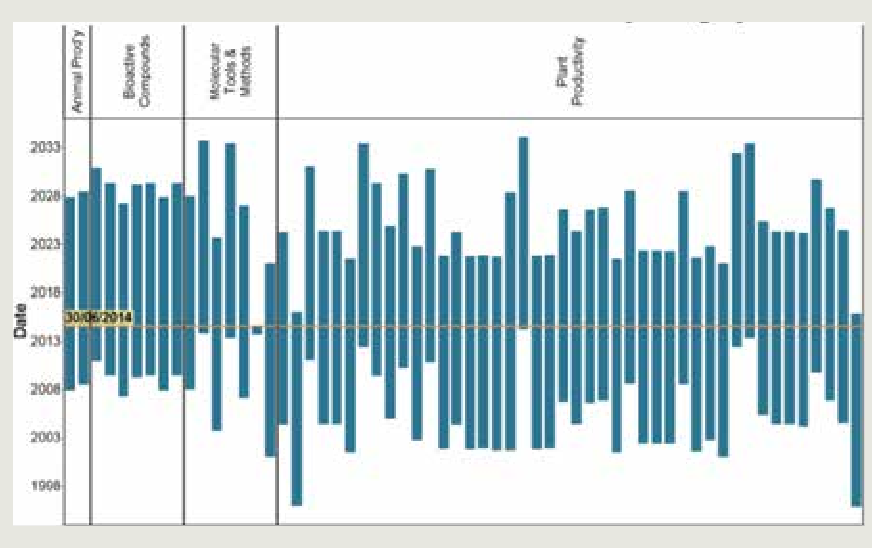
Plant Breeder's Rights registrations were filed for four varieties of lentils, and one each for barley and potato. Continued review of the portfolio has also led to the abandonment of two patents and four Plant Breeder's Rights registrations.

Review of Operations continued

Portfolio balance

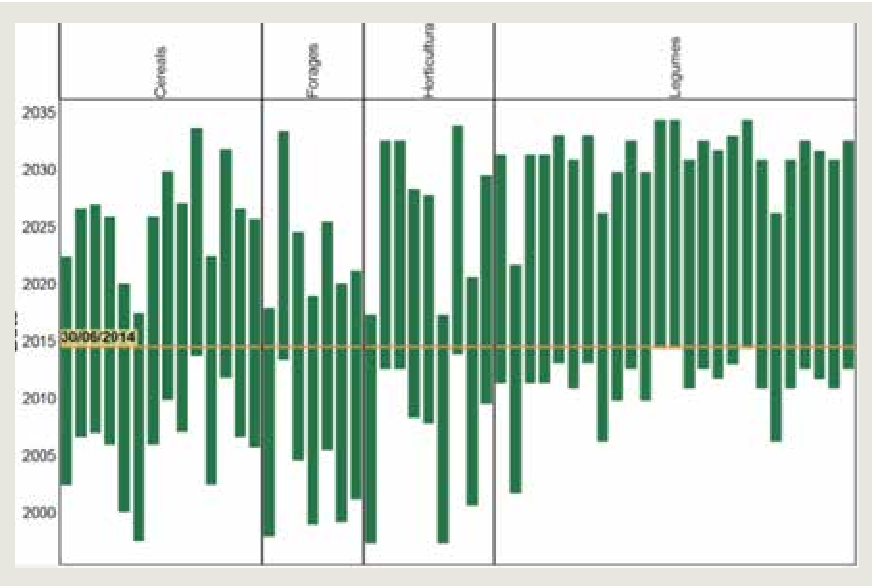
The protection status of the patent and Plant Breeder's Rights portfolios is summarised in the figures following.

Duration of Protection for Patent Portfolio by Category



The patent portfolio has a broad mix of mature and new technologies, predominantly in areas associated with plant productivity.

Duration of Protection for PBR Portfolio by Category



The Plant Breeder's Rights portfolio contains a broad mix of plant groups, although the bulk of the new varieties registered have been legumes. While the focus of DEPI's research has shifted towards plant improvement using genomic tools, there is a significant legacy of traditional plant breeding research that is still being commercialised.

Review of Operations continued

Intellectual property commercialisation

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

- A licence agreement for a biosecurity software package was signed with Agricultural Business Research Institute (ABRI) of the University of New England, NSW. The software includes a multi-species livestock tracing system, emergency response management software and an epidemiological tool that facilitates surveillance in emergency management. ABRI, which provides a range of agribusiness information services and software, will market, promote and license the biosecurity software package to industry.
- New field peas, chickpeas and lentils were successfully commercialised during the 2013–14 year.

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

  Through research agreements entered into between DEPI and GRDC, DEPI's Biosciences Research Division (DEPI BRD) leads the PBA field pea and lentil breeding subprograms at Horsham and Bundoora, with the aim of producing new varieties with superior agronomic traits for Australia. AVS and GRDC have entered into a related agreement that provides AVS with the rights to grant commercial evaluation and exploitation licences to suitable private sector licence partners for new lentil, field pea and chickpea varieties.

  In 2013–14, AVS entered into contractual arrangements with Landmark Operations Ltd (trading as Seednet), which exercised its exclusive option to enter into Plant Variety Licence Agreements for the commercial exploitation of three elite new field pea varieties:

  - **PBA Wharton** is an early to mid maturing Kaspa-type field pea with improved powdery mildew resistance, virus resistance and tolerance to high levels of soil boron (which has not previously been available in this type of field pea)
  - **PBA Coogee** is a conventional, Dun-type field pea with good early season vigour, mid to late maturity and high biomass productivity that makes it suitable for either forage or grain production
  - **PBA Pearl** is an early maturing, semi-leafless, white grain field pea with low shattering risk and resistance to bacterial blight, the Parafield strain of downy mildew and bean leaf-roll virus.

  During the year Landmark Operations Ltd (trading as Seednet) also entered into a licence agreement for a DEPI BRD-bred Kabuli chickpea variety, **PBA Monarch**. PBA Monarch was bred to provide growers with a new higher-yielding chickpea variety option. This represents the final elite chickpea variety to be fully developed by DEPI BRD and licensed by AVS before transitioning the chickpea-breeding program to the NSW Department of Primary Industries.

  AVS entered into three Plant Variety Licence Agreements with PB Seeds Pty Ltd after it exercised its exclusive option for commercialisation of the following three new elite lentil varieties:

  - **PBA Bolt** is an erect, early maturing red lentil with medium-sized grey seed. The variety is suited to similar growing areas as PBA Flash, where early maturity, salinity tolerance and erect growth are keys to reliable and profitable production
  - **PBA Ace** is a vigorous, high yielding, disease-resistant, mid-season-maturing red lentil with medium-sized grey seed. PBA Ace has recently been one of the highest yielding lentils in trials and is suited to all lentil growing areas, especially longer season areas where AVS variety *Nugget* has traditionally been grown
  - a new DEPI BRD-bred and AVS-funded herbicide-tolerant lentil variety, **PBA Hurricane XT**, which will be an important variety option in areas where weed control is a priority.
- A Licence Agreement for seed production and marketing of the world's first herbicide-tolerant barley variety, **Scope CL**, which was bred and developed by DEPI BRD scientists and funded by AVS, was signed between AVS and Landmark Operations Ltd (trading as Seednet).

  The Seednet licence agreement follows the signing of a head agreement between AVS and BASF Australia Ltd (BASF) in 2012, which authorised the supply of Scope CL to barley growers as a Clearfield® herbicide-tolerant barley variety.

  National plantings of Scope CL have increased significantly in the past 12 months, from 74,000 ha in 2012 during the first year of commercial seed release, to more than 250,000 ha in 2013 after the first full commercial harvest. Of the total barley area planted to Scope CL in 2013, 30 per cent of grower adoption was attributable to Victorian barley growers.

  Grain production of Scope CL barley from the 2013–14 harvest remains promising, especially given the variety's increasing acceptance as a 'malt' variety by industry, and as a herbicide-tolerant tool for the management of difficult weeds by barley growers.

Review of Operations continued

- A Technical Services and Licence Rights Agreement was signed between AVS and the Dutch Royal Barenbrug Group (RBG) for the evaluation and commercial application of two sets of novel fungal endophyte strains.

  DEPI BRD has developed significant expertise in relation to endophytes (symbiotic fungi) that inhabit many plant species. The patent applications filed by AVS will protect these valuable intellectual property assets. In the three-year research and development program, DEPI BRD will be contracted by two affiliate companies of RBG to isolate and characterise endophytes from tropical grasses, with suitable candidates to be inoculated into germplasm for further field evaluation by RBG in Brazil. Successful isolates will then be licensed to RBG for commercialisation.

- A specialist software package, Cross Predictor, developed by DEPI BRD scientists in the Molecular Plant Breeding CRC (MPBCRC), has been licensed by AVS to InterGrain Pty Ltd to help its cereal breeders make selections for a defined subset of wheat quality genes and their alleles.

  InterGrain Pty Ltd is a wheat and barley breeding company that targets the major cereal growing areas of Australia. The licence represents a successful commercialisation outcome for the former MPBCRC made possible by AVS, on behalf of its participants.

- A Plant Variety Licence enabling the release of a new DEPI BRD-bred canned peach variety, **Tatura Blaze**, was signed by AVS and SPC Ardmona Operations Ltd. Tatura Blaze was bred with assistance from Horticulture Australia Ltd, the Canning Fruit Industry Council of Australia and SPC Ardmona Operations Ltd. Also in 2013–14, AVS and SPC Ardmona Operations Ltd signed an evaluation and licence option agreement allowing SPC to commercially evaluate several promising peach lines that were bred by DEPI to meet future canning industry and local grower needs.

- A Plant Variety Licence was signed between AVS and The Diggers Club Pty Ltd for a new strawberry variety, **Everberry**™, which was bred by DEPI BRD. Everberry™ is a strawberry variety suited to the home-gardener market.

- Licence Agreements for two new urban tree varieties, *Quercus palustris* **Early Fall**™ (oak) and *Corymbia citriodora* **Urara**™ were signed between AVS and Flemings Nurseries Pty Ltd. The cultivars originated from a collaborative research project between DEPI BRD, Horticulture Australia Ltd and Flemings, which identified improved methods for the propagation of Australian native trees for urban use. During the research, DEPI BRD research scientists acquired cuttings of the species which were evaluated for their commercial potential by Flemings. Where appropriate cultivars will be protected through Plant Breeder's Rights, propagated and sold via the wholesale nursery and landscaping industries.

Commercial and collaborative research and development

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

- AVS entered a major Research License Agreement with Dow AgroSciences LLC (DAS), a wholly owned subsidiary of The Dow Chemical Company, to conduct research using its proprietary **EXZACT™** zinc finger nuclease genome-editing technology.

  Developed by DAS under an exclusive licence and collaboration agreement with Sangamo BioSciences Inc., this unique breeding technology is suited to performing precise genome modification in multiple crop plants as well as fungal endophytes.

  Through its research use of this precise, non-integrative, genome-editing technology, DEPI aims to enhance genetics in major crops of importance for Australian primary producers.

  The new research will build on the existing research and development collaboration between DEPI BRD and DAS and represents a further successful outcome from the parties' collaborative efforts in combining innovation capacity.

- AVS and DAS signed a new Sponsored Research and Development Project agreement designed to increase crop performance for the benefit of farmers in Australia and around the world.

  This new agreement represents the seventh sponsored research and development project of the collaborative research and development program between DAS and DEPI BRD which, since its inception in 2009, has made significant progress in the development and application of innovative technologies for crop improvement.

  Under the new collaborative research and development agreement, DAS will work with DEPI through AVS, to develop new improved varieties of canola. The project aims to generate elite new canola products with improved quality traits aligned with DAS and DEPI strategic goals, as well as to enhance genome-editing knowledge and capability that may be further applied to canola and other target crops of interest to DEPI and DAS.

  DAS's decision to expand its investment in Victoria through this seventh new Sponsored Research and Development project further confirms the world-class standing, collaborative ethos and innovation capacity of DEPI BRD.

Review of Operations continued

- AVS and DAS signed an agreement to extend a Sponsored Research and Development Project that aims to further enable platform technology to support the generation of elite new wheat varieties, using DAS's EXZACT™ precision genome-editing breeding technology.
- Additional field-based contract research and development projects were also conducted for private sector organisations in the grains and dairy sectors, which included trials in the areas of:
  - barley and wheat disease screening
  - fungicide evaluation
  - seed treatment evaluation
  - soil and plant monitoring
  - corn crop surveys.
- Experimental and consulting research and development projects were undertaken in collaboration with a major international research and development institute and a private sector entity to provide services relating to glasshouse systems and the use of plastic film technology for the production of leafy vegetables.

Other value-enhancing activities in intellectual property

- AVS and DEPI BRD hosted a visit and series of lectures from international experts in the valuation and deregulation of crop biotechnology traits. Sponsored by AVS and DEPI BRD, Professor Bill Wilson from North Dakota State University provided guidance to staff, collaborators and stakeholders on modelling yield enhancement and stability traits in crops and the valuation of related GM-trait technology licensing agreements. Dr Bill Pilacinski (ex-Monsanto regulatory affairs manager) advised on global regulatory processes for GM traits, their likely impact on GM wheat commercialisation and strategies to exploit efficiencies through deregulation in Australia, the United States and other countries.
- AVS has continued to explore commercial opportunities for developing and releasing improved pasture grass species. These were developed by DEPI under the former MPBCRC and have more recently been enhanced by the Dairy Futures CRC (DFL). Of primary interest during 2014 has been the assessment of alternative commercial partners for development of a high-fructan ryegrass product. This became necessary following the wind-up of the Gramina Joint Venture and PGG Wrightsons' withdrawal from its involvement in the current project being conducted by DFL. Post Gramina, AVS has worked closely with DFL to identify potential commercial partners and discussions are underway with a company that is drafting a business case to assess the value proposition for this technology. High-level economic modelling conducted by DFL indicates the potential for significant value to be delivered to the dairy industry from a high-energy ryegrass.
- AVS provided considerable input to the Victorian Department of Treasury and Finance in its development of a set of intellectual property management guidelines to accompany the release, in 2012, of the *Whole of State Government's Intellectual Property Policy (Intent and Principles).*

Investments

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

Phytogene Pty Ltd

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

Phytogene also holds exclusive worldwide commercialisation rights to another yield-enhancing technology which is complementary to LXR®. Known as BET, the technology was developed by AVS and the former MPBCRC.

Following early seed funding from AVS, Phytogene has been financially self-sufficient since 2008, with payments received from licensees providing sufficient funding to support the company's operations. Phytogene continues to maintain a low cost structure while it builds value in the technology and seeks further commercial opportunities. As a result, Phytogene has been able to meet the operating loss of $73,339 incurred in 2014 from its own internal cash resources.

Fees and milestone payments due from licensees are projected to keep Phytogene's cash flow positive in the period before product launch.

Glasshouse and field trial results have provided evidence of proof of concept in the dicot species canola, white clover and alfalfa. During 2014 Phytogene received advice from its North American licensee that it would not be proceeding with the evaluation and licence option agreement held by it. As a consequence, Phytogene will explore new canola licensing opportunities in 2015 that build on the strong Australian field trial results that were achieved in 2012.

With wheat as a major crop of strategic importance to Victoria, achieving proof of concept in a monocot species is a priority for the company. After showing positive results in the glasshouse, and following approval from the Office of the Gene Technology Regulator, DEPI is currently conducting a field trial of LXR® and BET wheat on behalf of Phytogene. The trial was planted in June 2014 and subject to positive outcomes, the results will be used as a basis to leverage

Review of Operations continued

and support claims for the technology in wheat and other major monocot species.

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

During the coming year Phytogene will focus on strategically developing new relationships with suitable private sector companies and its assessment of the first field trial results for wheat, which are expected to be received towards the end of the first quarter of calendar 2015.

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

Primary Oilseeds

Primary Oilseeds is an oilseed cultivar development and commercialisation program that delivers elite canola germplasm and varieties through three genetic trait pipelines: conventional canola, triazine-tolerant canola 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 DEPI's Policy for Investment in Plant Breeding, DEPI resolved to exit canola cultivar breeding.

AVS implemented a transition process which resulted in the successful transfer of canola cultivar development activities and intellectual property rights from the state to the private sector. In exchange for the transfer of this germplasm, AVS and DEPI receive a royalty stream arising from existing and newly developed cultivars.

Returns from AVS investment in the Primary Oilseeds program in recent years have been buoyed by a combination of high commodity prices, favourable seasonal conditions and a slower than anticipated take-up of new herbicide-tolerant varieties.

AVS HOLL Canola

This AVS investment project was established to develop High Oleic, Low Linolenic (HOLL) canola hybrids with tolerance to important herbicides for *Brassica napus*. Oil produced from HOLL canola offers improved shelf life and stability at high temperatures due to a higher oxidative stability, as well as low levels of saturated 'trans' fats.

AVS's original co-investment with Cargill Inc. enabled the co-development of improved conventional and new herbicide-tolerant HOLL canola hybrids (with DEPI BRD), 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 traits that offer value to the food and food processing sectors based on the product's health benefits to consumers. Cargill has a well-established breeding and seed marketing capacity in Australia and works closely with global food service and processing supply chains to generate demand and advance HOLL canola variety adoption in Australia.

Current variety releases include **Victory V3002**, a conventional hybrid, and **Victory V5002**, a Round-Up Ready® herbicide-tolerant hybrid. While dry conditions prevailed during the past season in several target regions, Cargill was able to meet its overall target planting program. Several new Victory HOLL cultivars being evaluated are planned for release in the next three to five years and the outlook for increased grower adoption of the AVS-Cargill HOLL canola genetics remains promising.

AVS Juncea canola

Most of Australia's canola oil crop originates from the species *Brassica napus*. However, another oilseed crop species, *Brassica juncea*, is traditionally better adapted to low-rainfall, high-temperature environments. The project was established to develop second-generation Juncea canola varieties that capture these environment adaption characteristics important to Australian growers.

The AVS financial commitment was originally co-invested with the Canadian-based agribusiness company, Viterra Ltd, to co-develop herbicide-tolerant Juncea canola cultivars (with DEPI BRD) primarily for Australian and North American production areas.

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

Landmark Operations Ltd (trading as Seednet) is now leading the development and commercialisation of Juncea canola in Australia. In the next 12 months, Seednet plans to explore strategic opportunities for retail expansion via grain handling and marketing businesses across Australia, with a view to broadening the crop's production base in future years.

The open-pollinated, imidazolinone-herbicide-tolerant (Clearfield®) variety, **XCEED™ Oasis CL**, currently remains the only Juncea canola variety being grown commercially in Australia, however the company's breeding program includes several promising Clearfield® and triazine-tolerant Juncea canola cultivars in the advanced stages of field evaluation.

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

Herbicide-tolerant lentils

The aim of this project was 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 acetolactate-synthase-inhibiting herbicides are used to control broadleaf weeds in pulses and at present all commercial pulse varieties are intolerant to this class of herbicides, particularly sulfonylureas.

The project conducted a relatively small-scale, commercially focused, mutagenesis-based breeding program to produce a pipeline of non-transgenic, herbicide-tolerant lentil varieties. The breeding process of 'mutagenesis' alters

Review of Operations continued

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 commercial partner PB Seeds Pty Ltd, underwent wide-scale commercial grower evaluation.

The first varietal candidate was registered for Plant Breeder's Rights under the name PBA Herald XT and was commercially launched by PB Seeds Pty Ltd and Pulse Breeding Australia in 2011.

The second AVS herbicide-tolerant lentil variety, **PBA Hurricane XT**, was released recently with strong seed orders for sowing in season 2014.

PBA Hurricane XT will be an important variety in areas where weed control is a priority and as a replacement for PBA Herald XT.

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 relatively low-toxicity herbicides to control the full spectrum of relevant weeds is considered advantageous to growers. With this in mind, AVS invested in an experimental research and development project carried out by DEPI BRD (Horsham). The aim was to determine whether imidazolinone herbicide-tolerant barley could be produced and, if so, to generate herbicide-tolerant barley genetics for breeders and grain growers.

The project began with screening genotypes from barley mutant populations for improved tolerance to herbicides for broadleaf and grass weed control. Following initial technical proof of concept, AVS acted to secure global intellectual property protection of the herbicide-tolerant barley trait technology in key barley producing countries.

The project has since resulted in the licensing of local seed and global herbicide partners and the commercial release of the world's first herbicide-tolerant barley variety, Scope CL. As a result, the commercialisation of the AVS herbicide-tolerant barley trait in Australia has been highly successful to date in terms of the technology's rapid and early adoption by the Australian barley industry, following the achievement of several key regulatory and commercial milestones, as summarised below:

- An application for the registration of Intervix® herbicide application on AVS herbicide-tolerant barley was lodged and approved by the Australian Pesticides and Veterinary Medicines Authority (APVMA) in 2010.
- A licence was signed between AVS and BASF Plant Sciences that has enabled use of the Clearfield® trademark for Scope CL, and potentially new AVS herbicide-tolerant barley varieties in Australia. As part of this agreement, barley growers are required to follow BASF's stewardship protocols in their application of Intervix® on Clearfield® Scope barley.
- Landmark Operations Ltd (Seednet) has successfully operated as the exclusive licence rights holder to produce and market seed of the first AVS herbicide-tolerant barley variety, Scope CL, in Australia.
- Scope CL is now accredited as a 'malting' barley variety by Barley Australia and is one of 22 accredited malting varieties in Australia. Seed sales and production statistics from the 2013 and 2014 seasons reflect strong grower interest through their uptake to date.

Corporate Governance

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

During 2014 AVS continued to place a high priority on governance matters with several initiatives undertaken throughout the period to strengthen stakeholder relationships and improve systems, procedures and structures.

- A major examination of the operational model for delivery of intellectual property and commercialisation services was completed during 2014. Following an initial review commissioned by DEPI, AVS and DEPI jointly developed a business case to examine the merits of combining the resources of DEPI's Technology Commercialisation Branch with the intellectual property and commercialisation vehicle that is AVS. The business case found that the creation of a single commercialisation structure would enhance intellectual property commercialisation service delivery and lead to improved technology transfer outcomes. Accordingly, DEPI and AVS have agreed that all Technology Commercialisation Branch staff will transfer to AVS as soon as possible in the 2014–15 financial year.
- Following Cabinet approval, the Minister appointed Mr James Flintoft as a director of the Company, effective from 14 February 2014. The Board made the appointment following an assessment of its future skill requirements while also recognising the critical interdependence of the relationship between AVS and DEPI. James is currently the Deputy Secretary Agriculture at DEPI, holds qualifications in science, law and business, and has extensive high-level experience in both the public and private sector. At the time of James' appointment, the Minister also approved the extension of Chairman Dr Clive Noble's tenure and he will now continue as an independent director until 31 July 2016.
- With Ministerial approval, shares in the Company, previously held by Dr Bruce Kefford and Dr Clive Noble have been transferred to DEPI Secretary Mr Adam Fennessy. As with previous holders, the shares will continue to be held non-beneficially on behalf of the Government of Victoria.
- The Board reviewed the composition of its Audit and Risk Management Committee (ARMC) and resolved to further strengthen ARMC's governance role through the appointment of an additional independent member. Following completion of this review, Mr Des Hill, who has extensive senior financial management experience in the Victorian public sector, joined the ARMC in November 2013.
- AVS completed a major review of its Memorandum and Articles of Association with a view to their being modernised and consolidated into one constitutional document. The Company is currently seeking shareholder support for the constitutional modernisation process to proceed.
- AVS has adopted the Victorian Government's Risk Management Framework and under its provisions, conducts an annual review of risks. In 2014, management held a risk management workshop to undertake a comprehensive review of the AVS risk environment and consider the implications of any change for the Company's risk register. The workshop recognised a maturing risk environment since the last major review, with greater clarity around the Company's role and purpose evolving after completion of an accountability review and the implementation of AVS's strategic plan. A tighter risk register that is more focused and with fewer risks was subsequently endorsed by the Board.
- An enhanced Conflicts of Interest Policy and Procedure was developed and implemented during the year. The policy is consistent with the Conflict of Interest Policy Framework for the Victorian Public Sector and DEPI's own policy.

Corporate Governance continued

Company structure and function

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

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

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

AVS has five million issued shares that are held non-beneficially on behalf of the State of Victoria by Mr Adam Fennessy, the DEPI Secretary. The shares are subject to a declaration of trust that requires the shareholder to exercise their rights: 'In such manner as the Minister for Agriculture and Food Security or his delegate shall from time to time direct'.

Responsibilities and composition of the Board of directors

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

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

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

Director	Current Term
Dr Clive Noble (Chairman)	1 August 2011 – 31 July 2016
Ms Kathryn Adams	1 August 2011 – 31 July 2016
Mr Antony Christianen	1 August 2011 – 31 July 2016
Mr James Flintoft	25 February 2014 – 31 July 2018
Dr Judith Slocombe	1 August 2011 – 31 July 2016
Mr Peter Turvey	13 July 2012 – 31 July 2018

Board sub-committees

The Board currently has three sub-committees:

Audit and Risk Management Committee

The purpose and objectives of the 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 2014 year were:

Mr Antony Christianen	Chairman of ARMC and AVS director
Ms Victoria Cannata	Acting DEPI representative member – July to December
Ms Jessica Fintes	DEPI representative member – January to June
Mr Desmond Hill	Independent member
Mr Peter Turvey	AVS director

Mr Desmond Hill was appointed as an independent member of the ARMC for a three-year term commencing on 1 November 2013. All other ARMC members are appointed for a three-year term which will expire on 30 September 2014. Ms Victoria Cannata acted as the DEPI representative member on the ARMC during Ms Jessica Fintes' period of maternity leave from June to December 2013.

The committee met four times during the 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 2015.

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 four times during the 2013–14 year.

Investment Committee
The Investment Committee is constituted under the AVS Investment Policy and Procedure. It is responsible for assisting and advising the Board on matters relating to the investment of AVS funds and their periodic review and valuation. All directors are members of the Investment Committee, which met twice during the 2013–14 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 government policies. All policies, procedures and guidelines are subject to review on an annual basis under the ARMC's guidance.

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

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

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

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd
20 August 2014

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

Mr Bruce Lang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd
20 August 2014

Corporate Governance continued

Organisational structure and relationship with DEPI

AVS is accountable for the delivery of DEPI's intellectual property protection and commercialisation program. The Company effectively provides a portal through which DEPI technologies and capabilities can be taken to the marketplace via a means that maximises the economic benefit to Victoria. The executive and operational structure that has been developed recognises the commonality of goals between AVS and DEPI and seeks to provide a seamless progression for a technology as it follows its route to market. During the 2013–14 year AVS relied on the resources and expertise of DEPI's Technology Commercialisation Branch to ensure that the Company was able to meet its obligations to provide intellectual property protection and commercialisation services to DEPI research divisions.

Following a review conducted by DEPI, the subsequent development of a business case and consultation between AVS and DEPI, it has been agreed that employees of DEPI's Technology Commercialisation Branch will transfer and become employees of AVS early in the 2014–15 financial year.

Technology Commercialisation Branch employees that will transfer to AVS are denoted by an asterix against their name in their enclosed biographies.

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

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

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

David is Director of the Technology Commercialisation Branch of DEPI (Agriculture Productivity) and is responsible for leading intellectual property protection, commercialisation and portfolio management of technology innovations generated by DEPI research divisions. He has extensive senior management experience in agricultural and biosciences technology route-to-market planning, marketing and transfer, such as the registration and licensing of intellectual property rights associated with elite new crop varieties, genetics, breeding tools and novel trait technologies.

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

Until her departure in late June 2014, Melissa had oversight of the full range of corporate administration, financial and risk management systems and was responsible for developing and maintaining the Company's corporate governance and compliance, financial and risk management frameworks. As part of her role Melissa was also the Company's Risk Manager.

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

Jim has an extensive background in research and joined the commercialisation team in 1997. His focus is on plant and animal-related technologies including forage plants. In his role, Jim is responsible for the business development and commercialisation of a range of technologies arising from DEPI BRD.

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

Andrew works across DEPI research and development divisions and has primary responsibility for the commercialisation of intellectual property generated by the Agriculture Research Division. His responsibilities include the management of a broad range of plant-based licences from species including canola, lentils, field peas, pears and pasture seeds, as well as technologies including Livestock Tag & Trace and the Pasture Reader. Andrew has worked in the private and public sectors within environmental and agricultural industries.

Mr Mark Jablonski*
Contracts Manager
BEng, Grad Dip IP Law

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

Corporate Governance continued

Dr Ian McCauley*
Intellectual Property Officer
BSc (Hons), PhD, LLM
Ian administers the Company's intellectual property portfolio including patents, Plant Breeder's Rights and trademark registrations. Ian has an extensive background as a research scientist and a Master's Degree in Intellectual Property Law.

Mrs Jane Banovac*
Commercialisation Manager
BSc (Hons)
Jane is responsible for the commercialisation of DEPI-created intellectual property and the ongoing management of licensed plant-based intellectual property. Jane has developed a broad range of experience in plant research and agribusiness. Jane is currently on maternity leave.

Miss Elisse Buchlak*
Contracts Officer
LLB, BSc, GradDipLegPrac
Elisse is a qualified lawyer who works in conjunction with the Contracts Manager in providing advice, contract development and intellectual property support to the commercialisation managers.

Miss Jasmine Edwards
Project Officer
B Ag Sc (Hons)
Jasmine provides market intelligence and analysis services to the AVS executive and senior commercialisation team to support and strengthen the delivery of core services in the areas of technology commercialisation, intellectual property protection, investment and contract governance. Jasmine is also undertaking postgraduate studies in agribusiness.

Miss Helen Liu
Accountant
B Com (Acc)
Helen delivers a broad range of financial services, processing of general ledger transactions, statutory returns, and assistance in the preparation of management and statutory financial reports.

Mrs Terina Ogden*
Commercialisation Support Officer
Dip Bus
Terina is responsible for providing administrative support to the commercialisation managers and the overall efficient operations of the office.

Ms Jodie Holmes
Executive Assistant
Assoc Dip Bus
Jodie provides administrative support to the Chief Executive Officer, Company Secretary and Director Technology Commercialisation.

Mrs Rosanna Mastrolorito
Finance Officer
Cert Accounting
Rosanna assists the AVS accountant and delivers a full range of financial and general office support services including accounts payable/receivable and records management.

Corporate Governance continued

Legislative framework

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

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

Public Administration Act 2004
The Public Administration Act incorporates a set of values and principles to support public administration and provides a framework designed to ensure effective and consistent governance across the entire Victorian public sector. The 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 and Food Security.

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

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

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

Protected Disclosure Act 2012
The 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 DEPI or IBAC using the contact details provided below. Please note that AVS is not able to receive protected disclosures.

Contacts
Department of Environment and Primary Industries (DEPI)
Jennifer Berensen,
Senior Advisor, Privacy & Ombudsman
Department of Environment and Primary Industries
Mail: PO Box 500
East Melbourne VIC 3002
Phone: (03) 9637 8697
Website: www.depi.vic.gov.au

Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria
Level 1, North Tower
459 Collins Street
Melbourne Victoria 3001

Mail: 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.

Financial Statements

Directors' Report

The Board of Directors present their report together with the financial report of Agriculture Victoria Services Pty Ltd ("the Company") and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2014 and the auditors report thereon.

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

K.H. Adams	A. Christianen
J.A. Flintoft	C.L. Noble
J.M. Slocombe	P.R.E. Turvey

J. Flintoft was appointed as a Director on 25 February 2014.

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

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

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

Results and Dividends
The net result for the Company for the year was $845,998 (2013 $1,368,084). The comprehensive result for the consolidated entity for the year was $771,583 (2013 $1,197,910).

The directors do not recommend payment of a final dividend and no dividend has been paid since the end of the previous year. (2013: Nil).

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

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

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

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

	Board of Directors		**Committee of the Board of Directors**					
	Full Board		Audit & Risk Management		Investment		Remuneration	
	No. Meetings Attended	**No. Meetings Eligible**	**No. Meetings Attended**	**No. Meetings Eligible**	**No. Meetings Attended**	**No. Meetings Eligible**	**No. Meetings Attended**	**No. Meetings Eligible**
K Adams	5	6	-	-	2	2	4	4
A Christianen	6	6	4	4	2	2	4	4
C Noble	5	6	-	-	1	2	4	4
J Slocombe	4	6	-	-	2	2	2	4
J Flintoft	1	2	-	-	-	1	1	2
P Turvey	6	6	4	4	2	2	4	4

Directors' Report
Indemnification and Insurance of Officers and Auditors

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

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

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

Director: Dr Clive Noble
Dated: 20 August 2014

Director: Dr Judith Slocombe
Dated: 20 August 2014

VAGO
Victorian Auditor-General's Office

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

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the 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 2014, 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.

fd

John Doyle
Auditor-General

MELBOURNE
29 August 2014

Comprehensive Operating Statement

Year ended 30 June 2014

		Consolidated		The Company	
	Notes	**2014 $**	**2013 $**	**2014 $**	**2013 $**
Income from transactions					
Revenue from continuing operations	2a	16,476,331	18,585,328	16,481,188	18,610,256
Interest	2b	526,905	668,745	513,508	645,813
Grants	2c	28,526	20,600	-	-
Total Income from transactions		**17,031,762**	**19,274,673**	**16,994,696**	**19,256,069**
Expenses from transactions					
Employee expenses		525,191	448,665	525,191	448,665
Depreciation expenses		268,256	268,714	268,256	268,714
Contract research and development project expenses		9,408,169	11,146,746	9,308,169	10,971,746
Royalty expenses		4,468,294	4,859,882	4,468,294	4,859,882
DEPI research programs		-	6,428	-	6,428
Other expenses from continuing activities		1,429,498	1,348,255	1,419,094	1,334,477
Total expenses from transactions	3	16,099,408	18,078,690	15,989,004	17,889,912
Net result from transactions (net operating balance)		**932,354**	**1,195,983**	**1,005,692**	**1,366,157**
Other economic flows included in net results					
Net gain/(loss) on non-financial assets	4(a)	(156,330)	1,910	(156,330)	1,910
Net gain/(loss) on financial instruments	4(b)	(3,706)	-	(3,206)	-
Net gain/(loss) from other economic flows	4(c)	(158)	17	(158)	17
Total other economic flows included in net result		**(160,194)**	**1,927**	**(159,694)**	**1,927**
Net Result		**772,160**	**1,197,910**	**845,998**	**1,368,084**
Other economic flows- other non-owner changes in equity		(577)	-	-	-
Comprehensive result		**771,583**	**1,197,910**	**845,998**	**1,368,084**

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

Balance Sheet

As at 30 June 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $	The Company 2014 $	The Company 2013 $
ASSETS					
Financial assets					
Cash and cash equivalents	17a	22,975,812	17,445,087	22,497,204	16,810,066
Trade and other receivables	6	625,914	1,222,893	624,602	1,225,264
Other financial assets	7	-	-	855,002	855,002
TOTAL FINANCIAL ASSETS		**23,601,726**	**18,667,980**	**23,976,808**	**18,890,332**
Non-financial assets					
Plant and equipment	8	70,656	77,268	70,656	77,268
Intangible Assets	9	789,578	1,190,957	789,578	1,190,957
TOTAL NON-FINANCIAL ASSETS		**860,234**	**1,268,225**	**860,234**	**1,268,225**
TOTAL ASSETS		**24,461,960**	**19,936,205**	**24,837,042**	**20,158,557**
LIABILITIES					
Trade and other payables	10	12,676,525	8,904,742	12,664,162	8,814,064
Provisions	11	135,875	153,486	135,875	153,486
TOTAL LIABILITIES		**12,812,400**	**9,058,228**	**12,800,037**	**8,967,550**
NET ASSETS		**11,649,560**	**10,877,977**	**12,037,005**	**11,191,007**
Equity					
Reserves		-	-	-	-
Share capital		5,000,000	5,000,000	5,000,000	5,000,000
Accumulated surplus		6,649,560	5,877,977	7,037,005	6,191,007
NET WORTH		**11,649,560**	**10,877,977**	**12,037,005**	**11,191,007**
Commitments for expenditure	13				
Contingent liabilities	14				

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

Statement of Changes in Equity

Year ended 30 June 2014

	Consolidated				The Company			
	Equity at 1 July 2013 $	Net result $	Other comprehensive income $	Equity at 30 June 2014 $	Equity at 1 July 2013 $	Net results $	Other comprehensive income $	Equity at 30 June 2014 $
Share Capital	5,000,000	-	-	5,000,000	5,000,000	-	-	5,000,000
Accumulated surplus	5,877,977	772,160	(577)	6,649,560	6,191,007	845,998	-	7,037,005
Total Equity at the end of the financial year	**10,877,977**	**772,160**	**(577)**	**11,649,560**	**11,191,007**	**845,998**	**-**	**12,037,005**

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

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Cash Flow Statement

Year ended 30 June 2014

	Notes	Consolidated 2014 $	Consolidated 2013 $	The Company 2014 $	The Company 2013 $
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		18,132,871	20,415,333	18,097,436	20,376,946
Payments to suppliers and employees		(13,100,426)	(20,639,350)	(12,896,005)	(20,441,840)
Interest received		515,453	674,326	501,803	650,535
Net cash flows from/(used in) operating activities	17b	**5,547,898**	**450,309**	**5,703,234**	**585,641**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for plant and equipment		(36,323)	(36,723)	(36,323)	(36,723)
Proceeds from sale of plant and equipment		19,727	36,818	19,727	36,818
Proceeds from sale of available-for-sale financial assets		-	-	500	-
Net cash flows from/(used in) investing activities		**(16,596)**	**95**	**(16,096)**	**95**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash payments to owners to acquire or redeem the entity's shares		(577)	-	-	-
Net cash flows from/(used in) financing activities		**(577)**	**-**	**-**	**-**
Net increase in cash and cash equivalents held		5,530,725	450,404	5,687,138	585,736
Cash and cash equivalents at beginning of the financial year		17,445,087	16,994,683	16,810,066	16,224,331
Cash and cash equivalents at the end of the financial year	17a	**22,975,812**	**17,445,087**	**22,497,204**	**16,810,066**

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

Notes to the Financial Statements

Notes to and forming part of the Financial Statements Year ended 30 June 2014

1. Summary of Significant Accounting Policies

(a) Statement of compliance

The financial report is a general-purpose financial report for the period ending 30 June 2014, which has been prepared on a going concern basis 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.

(b) Reporting entity

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

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

(c) Basis of preparation

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

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

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

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

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

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

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 2014, the comparative information for the year ended 30 June 2013.

(d) Scope and presentation of financial statements

Comprehensive operating statement

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

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

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

Balance Sheet

Items of assets and liabilities in the balance sheet are:

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

Notes to and forming part of the Financial Statements Year ended 30 June 2014

1. Summary of Significant Accounting Policies continued

Statement of Changes in Equity

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

Cash Flow Statement

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

Rounding of Amounts

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

(e) Changes in accounting policies

Subsequent to the 2012-13 reporting period, the following new and revised Standards have been adopted in the current period with their financial impact detailed as below.

- **AASB 13 Fair Value Measurement**

  AASB 13 establishes a single source of guidance on how to measure fair value under Australian Accounting Standards when fair value is required or permitted. The Company has considered the specific requirements relating to highest and best use and principal (or most advantageous) market. In light of AASB 13, the Company has reviewed the fair value principles as well as its current valuation methodologies in assessing the fair value, the assessment has not materially changed the fair values recognised.

  AASB 13 requires specific disclosures about fair value measurements and disclosures of fair values, some of which replace existing disclosure requirements in other standards, including AASB 7 *Financial Instruments: Disclosures*.

  The disclosure requirements of AASB13 has no predominantly impact on the Company's disclosures and need not be applied in comparative information before first application. Consequently, the 2012-13 comparatives of these disclosures have not been provided, except for financial instruments, of which the fair value disclosures are required under AASB 7 *Financial Instruments: Disclosures.*

- **AASB 119 Employee Benefits**

  The revised AASB 119 changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligation and plan assets. As the current accounting policy is for the Department of Treasury and Finance to recognise and disclose the State's defined benefit liabilities in its financial statements. On the other hand, Agriculture Victoria Services Pty Ltd and its controlled entity has no defined benefit liabilities in the financial statements for the year ended 30 June 2014, therefore, changes in defined benefit obligations and plan assets have no impact on the company.

  The revised standard also changes the definition of short-term employee benefits. The short-term employee benefits are now defined as benefits expected to be settled wholly within twelve months after the end of the reporting period in which the employees render the related service. Agriculture Victoria Services Pty Ltd assessed the impact of this new definition and it has not materially altered the Company's measurement of the annual leave provision. The accrued annual leave balances which were classified by the company as short-term employee benefits meet this definition, no adjustments to the comparative year in 2012-13 is necessary.

(f) Comparative figures

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

(g) Principles of consolidation

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

Controlled entities

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

Details of controlled entities are contained in Note 20 to the financial statements. All controlled entities have a 30 June financial year end.

Jointly Controlled Entities

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

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

Details of jointly controlled entities are contained in note 21 to the financial statements. All jointly controlled entities have a 30 June financial year end.

Transactions eliminated on consolidation

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

Notes to and forming part of the Financial Statements Year ended 30 June 2014

1. Summary of Significant Accounting Policies continued

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

(h) Goods and services tax

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

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

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

(i) Income tax

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

(j) Income from transactions

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

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

(k) Expenses from transactions

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

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

(l) 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 from revaluations, impairments, and disposals of all physical assets and intangible assets.

Disposal of non-financial assets

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

Net gain/(loss) on financial instruments

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

Revaluation of financial instruments at fair value

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

Impairment of financial assets

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

Other gain/(losses) from other economic flows

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

(m) Impairment of assets

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

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

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

Where an asset's carrying value exceeds its recoverable amount, the difference is recognised as an impairment loss as another economic flow in the Comprehensive Operating Statement,

Notes to and forming part of the Financial Statements Year ended 30 June 2014

1. Summary of Significant Accounting Policies continued

except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of assets.

An indication of impairment has previously been identified for the Juncea Canola Project and remains current at 30 June 2014. In accordance with the accounting standard, AVS must ensure that the asset's recoverable amount is not less than its carrying amount. The recoverable amount of $213,013 (determined by calculating the NPV of future cash flows over the remaining life of the asset) is less than the carrying amount (the written down value of the asset at 30 June 2014) of $370,508. As a result of In 2013-14 the Company has determined to recognise an impairment loss of $157,495 in Juncea Canola.

(n) Financial assets

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

(ii) Receivables
Receivables consist of:

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

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

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

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

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

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

(o) Non-financial assets

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

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

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

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

(ii) Intangible assets
Intangible assets represent identifiable non-monetary assets without physical substance.

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

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

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

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

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
(b) the intention to complete the intangible asset and use or sell it;
(c) how the intangible asset will generate probable future economic benefit;
(d) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
(e) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

(p) Liabilities

Payables
Payables consists of:

- Contractual payables, such as trade payables and other accounts payable which are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are normally settled within 30 days.

Notes to and forming part of the Financial Statements Year ended 30 June 2014

1. Summary of Significant Accounting Policies continued

- Other, such as unearned revenue which represents income in advance for good and services that are yet to be supplied.
- 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.

Provisions

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

Employee benefits

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

Current liabilities – salaries, annual leave and unconditional LSL

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

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

Non Current Liabilities – conditional LSL

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

Superannuation

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

(q) Foreign currency

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in other economic flows in the period in which they arise.

(r) Leases

Neither the Company nor its controlled entities have entered into any finance leases.

Operating lease payments, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(s) Commitments

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

(t) Contingent liabilities

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

(u) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. Agriculture Victoria Services Pty Ltd assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2014, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2014. Agriculture Victoria Services Pty Ltd has not, and does not intend to, adopt these standards early. Agriculture Victoria Services Pty Ltd expects that the application of the said standards in the following year will have an insignificant impact on the financial statements.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 Financial Instruments	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).	1 Jan 2017	The preliminary assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.

Notes to and forming part of the Financial Statements Year ended 30 June 2014

2. Income from transactions

		Consolidated		The Company	
		2014 $	2013 $	2014 $	2013 $
	Revenue from continuing operations				
(a)	**Revenue from renderings services and royalties**				
	Rendering services	10,697,667	12,328,316	10,702,524	12,353,244
	Royalty income	5,778,664	6,257,012	5,778,664	6,257,012
		16,476,331	18,585,328	16,481,188	18,610,256
(b)	**Interest**				
	Interest from financial assets not at fair value	526,905	668,745	513,508	645,813
(c)	**Grants**	28,526	20,600	-	-
	Total income from transactions	17,031,762	19,274,673	16,994,696	19,256,069

3. Expenses from transactions

	2014 $	2013 $	2014 $	2013 $
Expenses from continuing activities				
Employee expenses	525,191	448,665	525,191	448,665
Depreciation	24,372	24,830	24,372	24,830
Amortisation	243,884	243,884	243,884	243,884
Audit services	52,970	67,461	46,870	59,255
Operating lease rentals	77,000	62,700	77,000	62,700
Contract research and development project expenses	9,408,169	11,146,746	9,308,169	10,971,746
Royalty expenses	4,468,294	4,859,882	4,468,294	4,859,882
DEPI research programs	-	6,428	-	6,428
Patent expenses	890,081	719,346	848,126	636,866
Other operating expenses	409,447	498,748	447,098	575,656
Total expenses from transactions	16,099,408	18,078,690	15,989,004	17,889,912

4. Other economic flows included in net results

		2014 $	2013 $	2014 $	2013 $
(a)	**Net gain/(loss) on non-financial assets**				
	Impairment of intangible assets	(157,495)	-	(157,495)	-
	Net gain/(loss) on disposal of plant and equipment	1,165	1,910	1,165	1,910
		(156,330)	1,910	(156,330)	1,910
(b)	**Net gain/(loss) on financial instruments**				
	Net gain arising from sale/wind-up of available for sale financial assets	-	-	500	-
	Net FX loss arising from cash and cash equivalents	(3,706)	-	(3,706)	-
		(3,706)	-	(3,206)	-
(c)	**Other gain /(losses) from other economic flows**				
	Net gain/(loss) arising from revaluation of long service leave liability	(158)	17	(158)	17

Notes to and forming part of the Financial Statements Year ended 30 June 2014

5. Auditors remuneration

	Consolidated		The Company	
	2014 $	2013 $	2014 $	2013 $
Audit services				
Victorian Auditor General's Office				
Audit of the fFnancial Report	37,400	36,800	31,300	30,900
PKF Chartered Accountants and Business Advisors				
Audit of the Financial Report	-	2,306	-	-
	37,400	39,106	31,300	30,900
Internal audit services				
HLB Mann Judd Pty Ltd	15,570	28,355	15,570	28,355
	52,970	67,461	46,870	59,255

6. Receivables

CURRENT				
Contractual				
Trade receivables	171,307	210,233	171,307	210,233
Provision for doubtful receivables	(1,114)	(1,114)	(1,114)	(1,114)
Sundry debtors and accruals	133,037	128,926	132,163	127,799
Amounts owed from related entities	66,255	329,992	66,255	344,527
	369,485	667,967	368,611	681,445
Statutory				
GST Input tax credit	256,429	554,926	255,991	543,819
Total current receivables	625,914	1,222,893	624,602	1,225,264

(a) Movement in the provision for doubtful receivables

Balance at beginning of the year	(1,114)	(1,114)
Balance at end of the year	(1,114)	(1,114)

(b) Ageing analysis of receivables

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

(c) Nature and extent of risks arising from receivables

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

7. Other financial assets

NON-CURRENT				
Available-for-sale				
Investments in unlisted controlled entities at cost (1)	-	-	855,002	855,002
Total investments in unlisted jointly controlled entities at cost	-	-	855,002	855,002

Notes

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

(a) Ageing analysis of other financial assets

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

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

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

8. Plant and equipment

Table 8.1 Carrying amounts

	2014 $	2013 $
Plant, equipment and vehicles at fair value	70,656	77,268

Table 8.2 Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
Plant, equipment and vehicles at fair value	106,980	107,268	36,324	30,000	70,656	77,268

Movements in fair value were not material for a full revaluation.

Table 8.3 Movements carrying amounts

	Plant, equipment and vehicles at fair value	
	2014 $	2013 $
Opening balance	**77,268**	**100,283**
Additions	36,323	ß36,723
Disposal	(18,563)	(34,908)
Depreciation	(24,372)	(24,830)
Closing balance	**70,656**	**77,268**

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

Table 8.4 Fair value measurement hierarchy for assets as at 30 June 2014

		Fair value measurement at end of reporting period using:		
	Carrying amount as at 30 June 2014 $	Level 1 (1) $	Level 2 (1) $	Level 3 (1) $
Plant, equipment and vehicles at fair value				
Vehicles	69,052	-	-	69,052
Plant and equipment	1,604	-	-	1,604
Total of plant, equipment and vehicles at fair value	70,656	-	-	70,656

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

Table 8.5 Description of significant unobservable inputs to level 3 valuations

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Vehicles plant, equipment	Depreciated replacement cost	Cost per unit	$32,017 per unit (Vehicles) $80-$1300 per unit (Plant, equipment)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value
		Useful life of plant, equipment &vehicles	2-5 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 and forming part of the Financial Statements Year ended 30 June 2014

9. Intangible assets

	Oilseed development programme (a)		Juncea Oilseeds (a)		HOLL Oilseeds (a)		Computer Software		Total	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
Gross carrying amount										
Opening balance	1,506,677	1,506,677	560,000	560,000	300,000	300,000	15,796	15,796	2,382,473	2,382,473
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing balance	1,506,677	1,506,677	560,000	560,000	300,000	300,000	15,796	15,796	2,382,473	2,382,473
									-	-
Accumulated amortisation and impairment										
Opening balance	(941,673)	(753,338)	(155,892)	(122,292)	(83,424)	(65,424)	(10,527)	(6,578)	(1,191,516)	(947,632)
Amortisation	(188,335)	(188,335)	(33,600)	(33,600)	(18,000)	(18,000)	(3,949)	(3,949)	(243,884)	(243,884)
Impairment losses charged to net result	-	-	(157,495)	-	-	-	-	-	(157,495)	-
Closing balance	1,130,008	941,673	346,987	155,892	101,424	83,424	14,476	10,527	1,592,895	1,191,516
Net book value at end of financial year	376,669	565,004	213,013	404,108	198,576	216,576	1,320	5,269	789,578	1,190,957

Notes

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

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

10. Trade and other payables

	Consolidated		The Company	
	2014 $	2013 $	2014 $	2013 $
Current				
Contractual				
Trade payables	35,857	207,155	35,857	197,109
Other trade payables and accrued expenses	1,063,021	336,032	1,050,659	329,775
Trade Payables due to associated entity	-	-	-	20,625
Trade payables due to Department of Environment and Primary Industries	11,544,670	8,295,360	11,544,669	8,204,110
	12,643,548	8,838,547	12,631,185	8,751,619
Statutory				
GST Payable	32,977	66,195	32,977	62,445
Total current liabilities	**12,676,525**	**8,904,742**	**12,664,162**	**8,814,064**

(a) Maturity analysis of trade and other payables

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

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

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

Notes to and forming part of the Financial Statements Year ended 30 June 2014

11. Provisions

	Consolidated		The Company	
	2014 $	2013 $	2014 $	2013 $
CURRENT				
Employee benefits				
Unconditional and expected to be settled within 12 months – Annual Leave & Salaries	45,358	32,076	45,358	32,076
Unconditional and expected to be settled after 12 months – Long Service Leave	72,036	106,326	72,036	106,326
	117,394	138,402	117,394	138,402
Employee benefit on-costs				
Unconditional and expected to be settled within 12 months – Annual Leave	2,048	-	2,048	-
Unconditional and expected to be settled after 12 months – Long Service Leave	7,593	11,061	7,593	11,061
	9,641	11,061	9,641	11,061
Total current employee benefits	127,035	149,463	127,035	149,463
NON CURRENT				
Employee benefits				
Conditional and expected to be settled after 12 months – Long Service Leave	7,997	3,644	7,997	3,644
Employee benefit on-costs				
Conditional and expected to be settled after 12 months – Long Service Leave	843	379	843	379
Total non current employee benefits	8,840	4,023	8,840	4,023
Current employee benefits				
Salaries accrued (a)	25,928	14,946	25,928	14,946
Annual leave (a)	19,430	17,130	19,430	17,130
Unconditional long service leave (b)	72,036	106,326	72,036	106,326
	117,394	138,402	117,394	138,402
Non current benefits				
Conditional long service leave (b)	7,997	3,644	7,997	3,644
Total employee benefits	**125,391**	**142,046**	**125,391**	**142,046**
Current on-costs	9,641	11,061	9,641	11,061
Non current on-costs	843	379	843	379
Total on-costs	**10,484**	**11,440**	**10,484**	**11,440**
Total employee benefits and on-costs	**135,875**	**153,486**	**135,875**	**153,486**

(a) The amounts disclosed are nominal amounts
(b) The amounts disclosed are discounted to present value

Notes to and forming part of the Financial Statements Year ended 30 June 2014

12. Directors and executives remuneration

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

Dr. C Noble (Chairman)	1 July 2013 to 30 June 2014	Dr. J Slocombe	1 July 2013 to 30 June 2014
Mr. P Turvey	1 July 2013 to 30 June 2014	Ms. K Adams	1 July 2013 to 30 June 2014
Mr. J Flintoft	25 February 2014 to 31 July 2014	Mr. A Christianen	1 July 2013 to 30 June 2014

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

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

	Consolidated		The Company	
	2014 $	2013 $	2014 $	2013 $
- Fees	72,484	62,356	72,484	62,356
- Retirement benefits	6,705	5,612	6,705	5,612

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

$0 - $9,999	3	4	2	3
$10,000 - $19,999	4	4	4	4

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

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

Mr. Bruce Lang C.E.O 1 July 2013 to 30 June 2014

Other than the accountable officer, there were no other executives of the Company or controlled entities employed or contracted who received remuneration from the Company or related entities.

Remuneration received or receivable by the accountable officer in connection with the management of the Company during the reporting period was in the range of $170,000 - $179,999 ($170,000 - $179,999 in 2012-13)

13. Expenditure committments

(a) Investment expenditure commitments
There are no investment expenditure commitments as at the 30th June, 2014

(b) Capital commitments
There are no capital commitments as at the 30th June, 2014

14. Contingent liabilities

There are no contingent liabilities as at the 30th June, 2014. (2013: Nil)

15. Segment reporting

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

Notes to and forming part of the Financial Statements Year ended 30 June 2014

16. Related party disclosure

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

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

The Company is wholly and beneficially owned by the State of Victoria. As such all State Government Departments are considered to be related parties. Mr J. Flintoft is employed by the Victorian Government Department of Environment and Primary Industries (DEPI).

For the year ended 30th June, 2014 the DEPI 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	
	2014 $	2013 $	2014 $	2013 $
Revenues				
Received from DEPI	1,330,700	906,169	1,330,700	906,169
Received from wholly owned controlled entities	-	-	4,858	26,990
Received from jointly controlled entities	-	-	-	39,525
Expenses				
Paid to DEPI	10,473,848	13,035,294	10,394,480	12,874,030
Paid to wholly owned controlled entities	-	-	41,868	75,000
Paid to jointly controlled entities	-	-	-	18,650

Notes to and forming part of the Financial Statements Year ended 30 June 2014

17. Statement of cash flows

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

	Consolidated		The Company	
	2014 $	2013 $	2014 $	2013 $
Cash at bank and on hand	451,561	203,869	447,234	162,134
Deposits at call	9,957,301	1,935,304	9,883,019	1,812,018
Deposits < 60 days	12,566,950	15,305,914	12,166,951	14,835,914
Cash and cash equivalents	22,975,812	17,445,087	22,497,204	16,810,066

(b) Reconciliation of net cash provided by operating activities to net result.

Net Result	772,160	1,197,911	845,998	1,368,084
Adjustments for non cash income and expense items				
Depreciation and amortisation	268,256	268,714	268,256	268,714
Loss/(gain) on disposal of plant and equipment	(1,165)	(1,910)	(1,165)	(1,910)
Loss/(gain) on disposal of available-for-sale financial assets	-	-	(500)	-
Impairment loss/(reversal) of intangible assets	157,495	-	157,495	-
Changes to assets, liabilities and equity				
(Increase)/decrease in assets				
Receivables	596,979	2,144,434	600,662	2,137,505
Increase/(decrease in liabilities)				
Payables	3,771,784	(3,169,688)	3,850,099	(3,197,601)
Provisions	(17,611)	10,849	(17,611)	10,849
Net cash from operating activities	5,547,898	450,309	5,703,234	585,641

18. Superannuation

The company made contributions on behalf of its employees to the VicSuper superannuation scheme during the 2013/14 year. Contributions were also made to complying Superannuation funds where an election to do so was made by directors or employees. Contributions were determined as a percentage of employee's gross salary to ensure that, at a minimum, the company met its statutory obligations. Additional contributions were also made by way of salary sacrifice at amounts nominated by employees.

There were no unfunded liabilities at the 30 June 2014, 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	
	2014 $	2013 $	2014 $	2013 $
VicSuper	43,582	43,156	43,582	43,156
Other	13,771	6,791	13,771	6,791

19. Financial instruments

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

Table 19.1 Categorisation of financial instruments for the consolidated entity

Financial asset	Note	Category	Consolidated Carrying amount 2014 $	Consolidated Carrying amount 2013 $	Company Carrying amount 2014 $	Company Carrying amount 2013 $
Cash and cash equivalents	17a	Cash	22,975,812	17,445,087	22,497,204	16,810,066
Trade and other receivables	6	Loans and receivables (at amortised cost)	369,485	667,967	368,611	681,445
Other financial assets	7	Available for sale financial assets (at fair value)	-	-	855,002	855,002

Financial liabilities	Note	Category	Consolidated Carrying amount 2014 $	Consolidated Carrying amount 2013 $	Company Carrying amount 2014 $	Company Carrying amount 2013 $
Trade and other payables	10	Financial liabilities (at amortised cost)	12,643,548	8,838,547	12,631,185	8,751,619

The carrying amounts disclosed exclude statutory amounts (e.g. GST input tax credit recoverable).

(a) Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets.

The consolidated entity's exposure to credit risk arises from the potential default of counter party on their contractual obligations resulting in financial loss to the consolidated entity.

Credit risk is measured at fair value and is monitored on a regular basis. Credit risk associated with the consolidated entity's financial assets is minimal because it is the consolidated entity's policy to only deal with entities with high credit ratings and or to obtain sufficient collateral or credit enhancements where appropriate.

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

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

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

Financial assets that are either past due or impaired

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

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

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

19. Financial instruments continued

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

2014	Weighted average effective interest rate %	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired			Impaired financial assets
			Fixed interest rate	Variable interest rate	Non interest bearing		1- 3 months	3 months - 1 year	> 1 year	
Cash at bank	0.05	451,561	-	451,561	-	451,561	-	-	-	-
Deposits at call	2.45	9,957,301	-	9,957,301	-	9,957,301	-	-	-	-
Deposits < 60 days	2.64	12,566,950	400,000	12,166,950	-	12,566,950	-	-	-	-
Trade and other receivables	-	369,485	-	-	369,485	369,485	53,573	-	-	-
		23,345,297	400,000	22,575,812	369,485	23,345,297	53,573	-	-	-
2013										
Cash at bank	0.04	203,869	-	203,869	-	203,869	-	-	-	-
Deposits at call	2.75	1,935,304	-	1,935,304	-	1,935,304	-	-	-	-
Deposits < 60 days	3.01	15,305,914	470,000	14,835,914	-	15,305,914	-	-	-	-
Trade and other receivables	-	667,967	-	-	667,967	591,857	54,970	22,000	-	-
		18,113,054	470,000	16,975,087	667,967	18,036,944	54,970	22,000	-	-

The carrying amounts disclosed exclude statutory amounts (e.g. GST Payables).

(b) Liquidity risk

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

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities except as detailed in the following table 19.3

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

19. Financial instruments continued

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

			Interest rate exposure				Maturity dates			
2014	Weighted average effective interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing	Nominal Amount	Current	1 - 3 months	3 months - 1 year	> 1 year
Trade payables	-	35,857	-	-	35,857	35,857	6,504	29,023	-	330
Trade payables and accrued expenses due to DEPI	-	11,544,670	-	-	11,544,670	11,544,670	11,467,670	77,000	-	-
Trade payable due to associated entity	-	-	-	-	-	-	-	-	-	-
Other trade payables and accrued expenses	-	1,063,021	-	-	1,063,021	1,063,021	1,063,021	-	-	-
		12,643,548	-	-	12,643,548	12,643,548	12,537,195	106,023	-	330
2013										
Trade payables	-	207,155	-	-	207,155	207,155	205,469	1,356	330	-
Trade payables and accrued expenses due to DEPI	-	8,295,360	-	-	8,295,360	8,295,360	8,193,285	102,074	-	-
Trade payable due to associated entity	-	-	-	-	-	-	-	-	-	-
Other trade payables and accrued expenses	-	336,032	-	-	336,032	336,032	336,032	-	-	-
		8,838,547	-	-	8,838,547	8,838,547	8,734,786	103,430	330	-

(c) Market risk

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

Foreign currency risk

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

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

Interest rate risk

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

The consolidated entity's exposure to interest rate risk is set out in the Table 19.4

Other price risk

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

Notes to and forming part of the Financial Statements Year ended 30 June 2014

19. Financial instruments continued

Table 19.4 Market risk exposure for the consolidated entity

2014	Carrying amount	Foreign exchange risk				Interest rate risk			
		-15%		+15%		-1%		+1%	
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
Financial assets									
Cash and cash equivalents	22,975,812	-	-	-	-	(229,758)	(229,758)	229,758	229,758
Trade and other receivables	369,485	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	12,643,548	(4,057)	(4,057)	4,057	4,057	-	-	-	-
Total increase/(decrease)		(4,057)	(4,057)	4,057	4,057	(229,758)	(229,758)	229,758	229,758

2013	Carrying amount	Foreign exchange risk				Interest rate risk			
		15%		+15%		-1%		+1%	
		Net result	Equity	Net result	Equity	Net result	Equity	Net result	Equity
Financial assets									
Cash and cash equivalents	17,445,087	-	-	-	-	(174,450)	(174,450)	174,450	174,450
Trade and other receivables	667,967	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-
Financial liabilities									
Trade and other payables	8,838,547	(203)	(203)	203	203	-	-	-	-
Total increase/(decrease)		(203)	(203)	203	203	(174,405)	(174,405)	174,405	174,405

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

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

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

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

(d) Net fair values

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

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

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

19. Financial instruments continued

Table 19.5 Comparison between carrying amount and fair value

	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
	$	$	$	$
Financial assets				
Cash at bank	451,561	451,561	203,869	203,869
Deposits at call	9,957,301	9,957,301	1,935,304	1,935,304
Deposits < 60 days	12,566,950	12,566,950	15,305,914	15,305,914
Trade and other receivables	369,485	369,485	667,967	667,967
Other financial assets	-	-	-	-
Total financial assets	**23,345,297**	**23,345,297**	**18,113,054**	**18,113,054**
Financial liabilities				
Trade payables	35,857	35,857	207,155	207,155
Trade payables due to DEPI	11,544,670	11,544,670	8,295,360	8,295,360
Other trade payables and accrued expenses	1,063,021	1,063,021	336,032	336,032
Total financial liabilities	**12,643,548**	**12,643,548**	**8,838,547**	**8,838,547**

The carrying amounts disclosed exclude statutory amount (e.g.GST input tax credit recoverable, and GST Payables)

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

20. Controlled entities

Particulars in relation to controlled entities:

	Ordinary Share Consolidated Entity Interest	
	2014	**2013**
	%	**%**
Parent entity		
Agriculture Victoria Services Pty Ltd		
Controlled entities		
Phytogene Pty Ltd (1)	100	100

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

Notes to and forming part of the Financial Statements Year ended 30 June 2014

21. Jointly controlled entities

Particulars in relation to controlled entities:

	Ordinary Share Consolidated entity interest	
	2014	**2013**
	%	**%**
Gramina Pty Ltd (i)	0	50

(i) The Company acquired 50% of the capital in Gramina Pty Ltd on the 29 March 2011. Gramina Pty Ltd is an incorporated joint venture entity established to develop superior pasture grass cultivars. The Shareholders met on the 14 June 2013 and resolved to wind the company up by way of de-registration. The company was de-registrated on the 29 January 2014. AVS's interests in asset, liabilities, income and expenses in Gramina Pty Ltd is detailed below. The amounts are included in the consolidated financial statements using the proportionate consolidation method under their respective categories.

	2014	**2013**
	$	**$**
Assets		
Financial		
Cash and cash equivalents	-	8
Trade and other receivables	-	1,069
Total assets	-	1,077
Liabilities		
Trade and other payables		
Total liabilities	-	-
Net assets	-	1,077
Equity		
Share capital	-	30,000
Accumulated surplus	-	(28,923)
Net worth	-	1,077
Income from transactions		
Revenue from continuing operations	-	52,709
Interest	-	97
Total income from transactions	-	52,806
Expenses from transactions		
Other expenses from continuing activities		
Total expenses from transactions	-	73,691
Net result from transactions(net operating balance)	-	(20,885)

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

22. Subsequent events

AVS and DEPI have agreed that nine staff currently forming DEPI's Technology Commercialisation Branch will transfer their roles and employment to AVS. The transfer is scheduled to take place early in the 2014-15 financial year. Increased operating costs incurred by AVS as a result of the transfer are expected to be fully recovered via a revised Service Provision and Funding Agreement between the Company and the Department.

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

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 another 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.

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

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

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

Employee benefits expenses
Employee benefits expenses include all costs related to employment including wages and salaries, finge benefits tax, leave enitlements, 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 statements
Depending on the context of the sentence where the term 'financial statements' is used, it may include only the main financial statements (i.e. comprehensive operating statement, balance sheet, cash flow statements, and statement of changes in equity); or it may also be used to replace the old term 'financial report' under the revised AASB 101 (September 2007), which means it may include the main financial statements and the notes.

Grants
Grants can either be operating or capital in nature. Grants can be paid as general purpose grants which refere to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants which are paid for a particular purpose and/or have conditions attached regarding their use.

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

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

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

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

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

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

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

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

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

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

Directors' Declaration

The Directors of the Company declare that:

(1) The financial statements and notes, as set out on pages 24 to 49 are in accordance with the Corporations Act 2001, and:

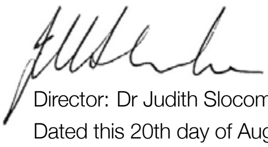
   (a) Comply with Australian Accounting Standards, and

   (b) Give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of the consolidated entity.

(2) In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Director: Dr Clive Noble
Dated this 20th day of August 2014



Director: Dr Judith Slocombe
Dated this 20th day of August 2014

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Agriculture Victoria Services Pty Ltd

The Financial Report

The accompanying financial report for the year ended 30 June 2014 of Agriculture Victoria Services Pty Ltd which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the director's declaration has been audited. The financial report is the consolidated financial statements of the consolidated entity, comprising Agriculture Victoria Services Pty Ltd and the entity it controlled at the year's end or from time to tme during the financial year as disclosed in note 20 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, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*. I confirm that I have given to the 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 consolidated entity's financial positions as at 30 June 2014 and of their financial performance for the year ended on that date, and
b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of Agriculture Victoria Services Pty Ltd for the year ended 30 June 2014 included both in the Agriculture Victoria Services Pty Ltd's annual report and on the website. The Directors of Agriculture Victoria Services Pty Ltd are responsible for the integrity of Agriculture Victoria Services Pty Ltd's website. I have not been engaged to report on the integrity of Agriculture Victoria Services Pty Ltd's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

for

MELBOURNE
29 August 2014

John Doyle
Auditor-General

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