Agriculture Victoria Services Pty Ltd

Annual Report 2022–23

AGRICULTURE VICTORIA SERVICES

VICTORIA State Government | Energy, Environment and Climate Action

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Directors
Ms SD Andersen – Chair
Dr RTH Aldous
Dr A Caples
Ms JE Perrier
Mr RA Jagger
Dr JM Tennent

Chief Executive Officer
Mr DC Liesegang (to 30 June 2023)
Mr SM Cagney (Acting from 1 July 2023)

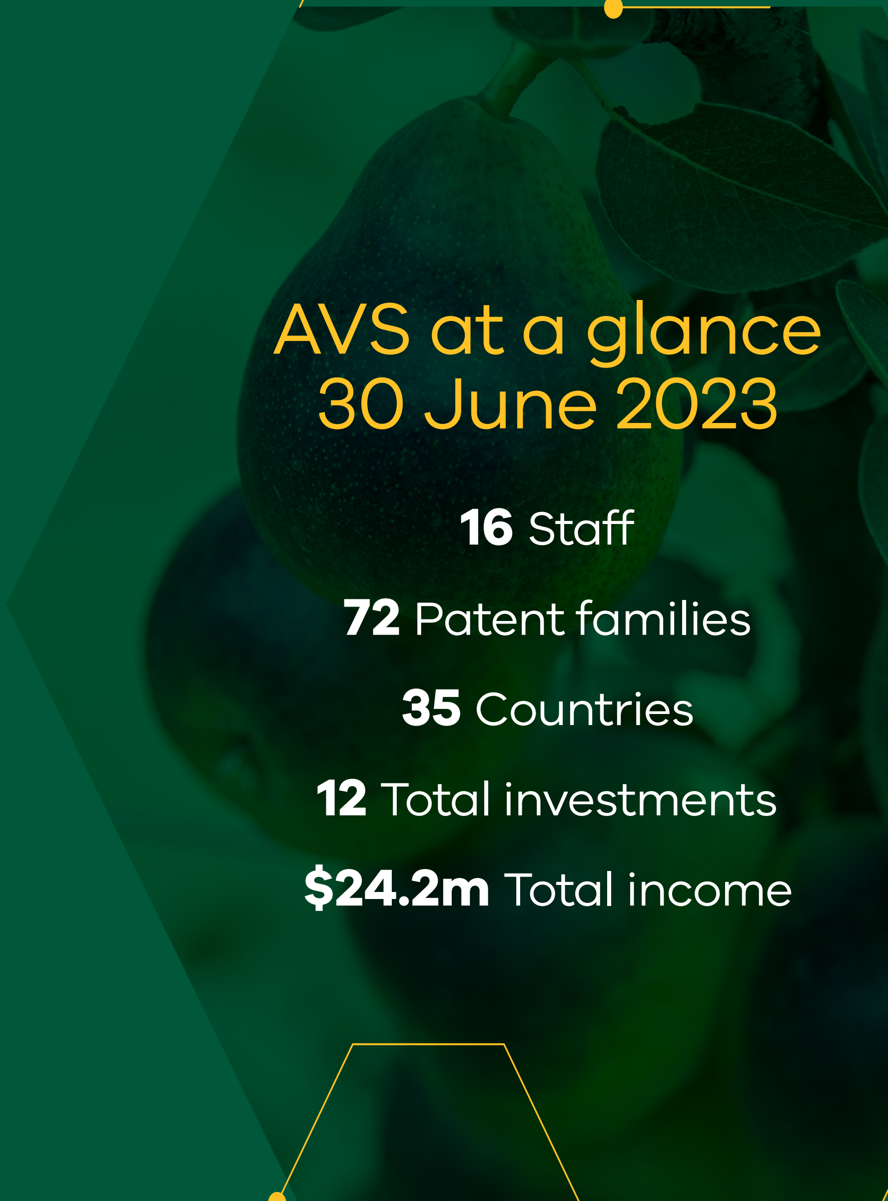
Company Secretary
Mr SM Cagney

Auditors
Victorian Auditor-General's Office
Level 24, 35 Collins Street
Melbourne VIC 3000

Bankers
Treasury Corporation Victoria
Level 12, 1 Collins Street
Melbourne VIC 3001

Commonwealth Bank of Australia
499 St Kilda Road
Melbourne VIC 3004

Victorian Funds Management
Corporation Unit 13/101 Collins Street
Melbourne VIC 3000



AVS at a glance 30 June 2023

16 Staff

72 Patent families

35 Countries

12 Total investments

$24.2m Total income

Agriculture Victoria Services Pty Ltd acknowledges the traditional owners and custodians of country throughout Australia and acknowledges their continuing connection to land, waters and community. We pay our respects to the people, the cultures and the elders past and present.

ACN 006 598 198
ABN 23 006 598 198

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Company profile

Agriculture Victoria Services (AVS) Pty Ltd ('the Company') is a private company incorporated under the *Corporations Act 2001* (Cth).

The State of Victoria owns the Company's issued capital with the shareholder represented by the Minister for Agriculture.

AVS is responsible for protecting and commercialising technologies created by the Agriculture Victoria Research division (AVR) of the Department of Energy, Environment and Climate Action (DEECA, or 'the Department'). AVR was formerly a branch of the Department of Jobs, Precincts and Regions (DJPR) until 1 January 2023 when Machinery of Government changes moved AVR from DJPR to DEECA.

The Company has a skills-based and gender-balanced Board of six non-executive directors.

Background

AVS holds a significant intellectual property (IP) portfolio on behalf of the State and other equity holders. The portfolio benefits the State's agricultural industry and economy through the commercial application of research and innovation outcomes.

Purpose

AVS maximises the commercial value and impact of AVR Research & Innovation (R&I), so that Victorian agriculture and related industries are strong, innovative, and sustainable, in order to contribute to better economic and societal outcomes.

Company value

AVS works with AVR so its research is optimised, and where appropriate, by commercialisation of its IP assets and scientific capabilities.

AVS provides IP management and commercialisation services, commercial research / innovation collaboration services, and investment services that maximise the impact of AVR research.

AVS provides an impartial commercial interface with the private sector to enhance and expedite route-to-impact for AVR research, for the benefit of Victorian agriculture and related local industries.

Operating principles

AVS aims to lead the commercialisation of AVR R&I consistently with AVS Values & Behaviours, Victorian Public Sector Values, the AVS Strategy and Victorian IP Management Principles.

AVS Operating Principles are:

- Helping determine the most appropriate 'route-to-impact' for R&I outputs of AVR. Where economic and productivity outcomes for the State will be greater and more rapid, a commercial route-to-impact is pursued.
- Seeking financial returns from commercialisation commensurate with fair and reasonable value for AVS IP and AVR IC and in so doing generate funds for new R&I opportunities.
- Seeking to ensure the registration, prosecution, defence and management of IP assets is in the best economic and societal interests of the State.
- Managing commercialisation and R&I collaborations consistently with AVR objectives.
- Investing in high-value AVR innovations that are technically feasible, commercially attractive and able to generate significant impact, value and revenue for the State.

Strategic objectives

To deliver on its purpose, the Company's strategic objectives and strategic priorities are:

1. **IP Management – Maximise IP asset value and impact.**

Protect & manage the intellectual property (IP) and intellectual capital (IC) assets of AVS & AVR to maximise their impact for industry and their economic value for Victoria.

2. **Commercial R&I Collaboration – Leverage and grow collaboration value and impact.**

Support commercial R&I collaborations of AVR and realise greater value and impact from existing and new R&I partners.

3. **Commercialisation – Enhance IP and IC commercialisation value and impact.**

Commercialise the IP and IC assets of AVS & AVR to maximise their impact for industry and their economic value for Victoria.

4. **Investment – Increase AVS investment impact and returns.**

Invest company funds to accelerate the translation, reach and commercial impact of AVR innovations and deliver commercial revenues from AVS investment.

These objectives reflect the growing depth, breadth and complexity of the Company's business, technologies, and collaborations.

Core values

The Company's core values are:

- AVS makes a difference
- AVS works well together
- AVS acts with integrity
- AVS understands and adapts to change.

Stakeholders and collaborators

AVS is self-funded and relies on service fees and investment income to fund operations and ensure ongoing viability. Strong relationships with stakeholders and collaborators are critical to the success of AVS. Key AVS stakeholders include:

- Victorian and Australian farmers
- the State of Victoria
- the Victorian Minister for Agriculture
- the Department's Agriculture Victoria Research division (AVR)
- technology co-investors and joint IP owners and equity holders
- research collaborators
- state and federal government agencies
- technology licensees and licensors
- contractors and suppliers
- AgriBio (Centre for AgriBioscience).

Chair report

Agriculture Victoria Services Pty Ltd, its Board, management and employees are pleased to present the Company's annual report for the period ended 30 June 2023.

In FY23, AVS met its objectives and delivered a net operating result for the consolidated entity of $2.4m (2022: $2.4m) and a net result of $3.9m while maximising the industry impact and commercial value of AVR R&I so that Victorian agriculture and related industries are strong, innovative and sustainable for better economic and societal outcomes.

The 2022-23 year was the second year of the Company's current three-year strategy, and AVS continued to lead the commercialisation of AVR R&I for the State's economic benefit. AVS' objectives remain:

- providing trusted, expert advice guiding IP strategy, management and route to impact decision making;
- deploying technology commercialisation strategies and agreements for the licensing of novel IP innovation assets;
- entering R&I collaboration agreements with the private sector that package high-value AVS IP rights and AVR intellectual capabilities for the economic benefit of industry and Victoria; and
- investing AVS funds to translate and accelerate AVR innovations outcomes for industry and Victoria.

AVS lodged 12 new patent and trade mark applications in Australia and overseas to enhance technical and geographic protection for AVR research outputs. Innovations held by AVS are now represented by 72 patent families in 35 countries and reflect the broad range of AVR technologies that arise from its research. These IP assets enable: enhanced genetic improvement of plant and animal species; improved pest and disease management; the delivery of novel technologies and tools for the discovery, characterisation and deployment of plant and animal microbiomes including in novel bioindustries; and the delivery of novel technologies supporting emerging medicinal agriculture and digital agtech industries.

AVS identified and secured technology collaboration and commercialisation opportunities for world-leading scientific capabilities and innovations of AVR, to help Victorian farmers achieve sustainable profitability, and to support Victorian job creation. AVS secured $10.0m in research collaboration funds on behalf of AVR in FY23 (FY22: $10.2m).

Six agreements were signed enabling the translation of AVR scientific capability and IP assets in collaboration with several AVS-AVR partners, aimed at developing, validating, and commercialising methane-reducing livestock feed technologies that will help farmers tackle emissions challenges, and to respond to increasing global interest in sustainable agricultural production and reduced methane emissions from livestock.

Four technology commercialisation agreements were signed granting IP rights to commercial partners for the commercial evaluation, development and delivery of novel authorised medicinal cannabis products for Australian patients; herbicide tolerant barley varieties for Australian grain growers; and beneficial fungal endophytes for forage grass varieties for Australian dairy farmers.

A key role for AVS remains the investment of Company funds in AVR technologies with the potential to deliver significant benefits for the Victorian agriculture industry and economy, as well as high commercial returns. The success of the AVS investment portfolio has led to higher revenue flows and higher cash reserves enabling AVS to further consolidate its investment portfolio in 2022-23. In FY23 AVS invested $1.1m in AVR research and IP protection (FY22:$1.1m).

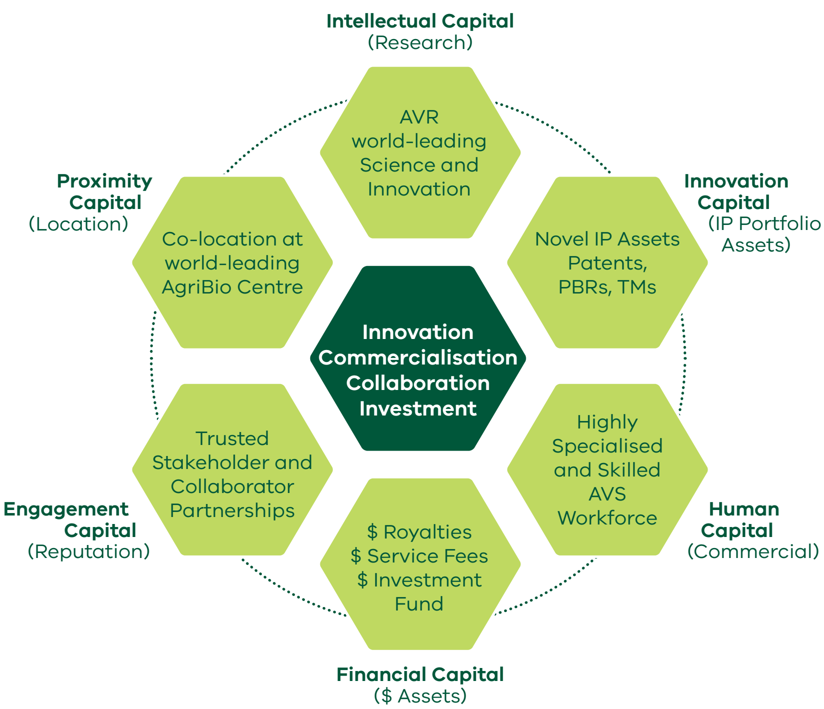
There are twelve active AVS investment projects which are enabling technology proof of concept and commercial advancement of novel AVR technologies, delivery of product innovations to farmers, and the generation of financial returns for new investment opportunities.

AVS progressed its planning for investment in a digital agtech data capture and analytics technology, currently planned for pilot launch in 2023 and commercial launch in 2024.

Progress included technology enhancement, application development and UX design for web interfaces, customer testing and evaluation of the digital pasture measurement and predictive modelling software web application, commercialisation and business planning, and negotiating suitable IP licensing arrangements with partners. The $2.5m project is due to be completed at end of FY24. AVS has provided an additional $0.3m toward commercialisation planning.

AVS is well placed to continue to successfully commercialise AVR innovations, in alignment with the Agriculture Strategy for Victoria, to help modernise and grow the agriculture sector in Victoria, increase external investment in Victorian agriculture and increase farmer productivity and profitability. AVS is continuing to pursue key areas of strategic focus, in consultation with new AVR leadership, which include:

- enhancing commercialisation outcomes from AVS-AVR IP and intellectual capital (IC) by pursuing entrepreneurial commercialisation models and suitable collaboration partnerships with the private sector to maximise the value and impact of AVS-AVR IP/IC assets;
- supporting key AVR capabilities and innovation to enhance development of Victoria's AgTech innovation economy and improving the profitability and security of the state's strong agriculture sector; and
- further enhancing AVS' strong commercialisation capabilities and delivering value to our shareholder through AVS' natural advantage in six capital domains (as shown below).



The Board and Executive thank AVS staff and partners for their contributions this year, and for their continued dedication, professionalism and support of each other throughout FY23.

On 30 June 2023, the Chief Executive Officer, David Liesegang, left AVS. During the past 8 years as Chief Executive Officer, David built and consolidated AVS' position as one of Australia's pre-eminent commercialisation entities for scientific research & innovation, through successful commercialisation of world-leading Victorian agtech innovations, maximising their impact for industry and their economic value to the State.

On behalf of the Board, I congratulate David on his outstanding leadership and achievements at AVS. Most notably he leaves AVS in a strong financial position with a bright and exciting future ahead and the Board wish him all the best for the future. The AVS Board is conducting recruitment for a new Chief Executive Officer, and in the interim Shane Cagney and Jane Banovac are capably leading our team to continue our business and commercialisation activities.

Sam Andersen

Chair
Agriculture Victoria Services Pty Ltd

Board of directors

Back row (standing left to right) Dr Jan Tennent, Dr Richard Aldous, Richard Jagger

Front row (standing left to right) Jane Perrier, Sandra (Sam) Andersen, Dr Amanda Caples

Ms Sandra (Sam) Andersen (Chair)
LLB, CPA, FAICD, F Finsia

Sam Andersen joined the AVS Board in 2016 and was appointed Chair of the Company on 1 July 2020. Sam is also a member of the AVS Audit and Risk Management Committee.

Sam has held senior executive positions at the ANZ Bank, Commonwealth Bank and National Australia Bank. She has also been chief financial officer and chief operating officer at several ASX-listed IT companies leading transformation initiatives, as well as managing director of a listed allied health services company. She currently serves as a director for a number of government public unlisted corporations and member-owned organisations.

Sam is chair of the Australian Packaging Covenant Organisation Limited, Beyond Bank Australia Limited and the Audit and Risk Management Committee of Victoria Police, a director of Breakthrough Victoria Pty Ltd, the Secure Electronic Registry Services Group, and VicRoads Group companies.

Richard Jagger (Director)
BSc (Hons), Ad Cert Food Tech, M Intl Bus, GAICD

Richard Jagger joined the AVS Board in 2021 and is a member of the AVS Audit and Risk Management Committee.

Richard is the CEO and Managing Director of Bio-Gene Technology, an ASX listed agtech company focused on developing a product platform based on a new class of naturally derived insecticides. Richard has extensive experience in developing and commercialising new technologies in the agriculture sector. Richard was previously the Managing Director of Sinochem Australia, a division of the largest Agrochemical company in China. Prior to Sinochem, he worked with Monsanto Company for over 20 years.

Richard has written two novels based on new technology adoption, holds degrees in Science and International Business and is a graduate of the Australian Institute of Company Directors. Richard is currently a director of the Victorian Cleantech Cluster.

Dr Richard Aldous (Director)
BSc (Hons), PhD, GAICD

Richard's background is in energy, resources, public policy and research management in both the public and private sectors. For 10 years he was a senior executive and then Deputy Secretary, Energy and Earth Resources at the Victorian Department of Primary Industries. Richard has also held senior executive roles in resource companies focused on exploration, research, and development.

Richard has been a director of the Cooperative Research Centre (CRC) Association, CEO of the CO2CRC and chair of the CRC for Clean Power from Lignite. Richard is also a director of AVS' subsidiary company, Phytogene Pty Ltd.

Dr Amanda Caples (Director)
BSc (Hons), PhD, GAICD

Amanda is Victoria's Lead Scientist with broad experience in technology commercialisation (including intellectual property management, licensing and joint ventures), public policy development and governance of public and private entities.

Amanda has delivered research-led health initiatives, regulatory and legislative scientific reforms and has established international collaborative technology alliances.

Amanda is a non-executive director of Breakthrough Victoria Pty Ltd and Deputy Chair of Ivanhoe Grammar School.

Jane Perrier (Director)
BA, LLB, MBA, GAICD

Jane Perrier joined the AVS Board in 2021 and is a member of the AVS Audit and Risk Management Committee.

Jane is an executive consultant with Davies Collison Cave, co-leading an IP business advisory practice specialising in IP strategy and valuation services. She is the former General Counsel, Intellectual Property of Telstra Corporation Limited with responsibility for strategic legal advice and procedural support for Telstra's intellectual property interests in Australia and overseas. Jane's team was also responsible for advising Telstra's Chief Technology Office on innovation and technology legal issues.

Jane is an Australian legal practitioner and registered trade mark attorney. She is a member of the Intellectual Property Committee of the Law Council of Australia, a fellow of the Institute of Patent & Trade Mark Attorneys of Australia, and former appointee to the Australian Government's former Advisory Council on Intellectual Property (ACIP).

Dr Jan Tennent (Director)
BSc (Hons), PhD, GCert Mgt, GAICD, FTSE, FASM

Jan Tennent joined the AVS Board in August 2021 at which time she was also appointed a director of the AVS subsidiary, Phytogene Pty Ltd.

An internationally recognised researcher with specialist knowledge of antimicrobial resistance mechanisms and vaccine discovery and commercialisation, Jan has held senior research and business development roles at CSIRO, the CRC for Vaccine Technology, CSL, and Pfizer Animal Health (now Zoetis).

Her most recent executive position was as CEO of Biomedical Research Victoria (2012-2019). Jan regularly supports government, industry, academia, and investors with advice on biotechnology, life sciences and the translation and commercialisation of research outcomes through her ConnectBio business.

Jan is also a non-executive director of Apiam Animal Health (ASX:AHX) and the eviDent Foundation.

Review of financial performance

Overview

This section provides a five-year financial summary and review of the 2022-23 financial year for AVS and its subsidiary.

Full financial performance details for the 2022-23 year are shown in the accompanying financial statements.

A consolidated five-year financial summary for AVS and its subsidiary is provided in Table 1.

Table 1: Five-year financial summary ($ thousands)

Five-year financial summary	2022-23	2021-22	2020-21	2019-20	2018-19
Total revenue and income from transactions	24,190	24,083	25,244	22,699	25,141
Total expenses from transactions	(21,765)	(21,671)	(22,917)	(21,291)	(21,180)
Net operating result from transactions	**2,425**	**2,412**	**2,327**	**1,408**	**3,961**
Gain/(loss) on balance sheet items	1,466	(2,751)	554	(8)	109
Net result for the period	**3,891**	**(339)**	**2,881**	**1,400**	**4,070**
Net cash flows from operating activities	2,985	(3,164)	9,151	(4,114)	7,698
Total assets	54,886	48,508	54,387	43,606	49,680
Total liabilities	(16,101)	(13,614)	(19,155)	(11,254)	(18,607)
Net assets	**38,785**	**34,894**	**35,233**	**32,352**	**31,073**

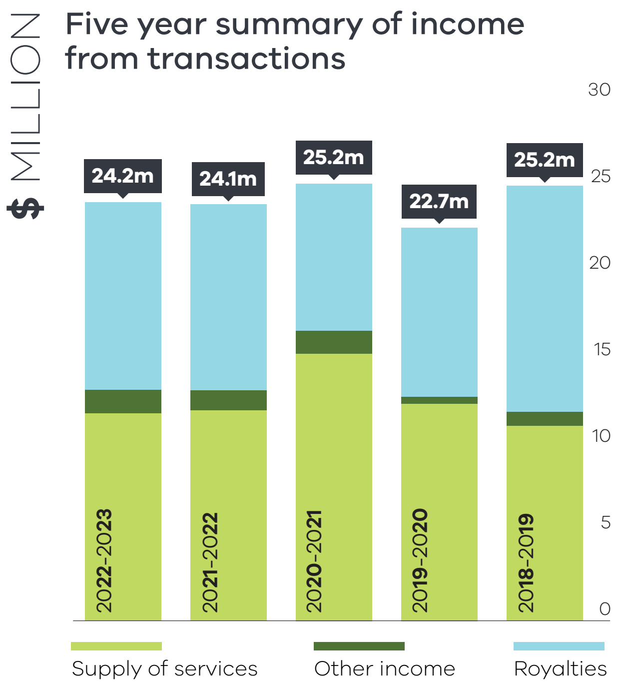
Net operating result from transactions for FY23 is similar to FY22 and FY21 and indicates stable revenue and expenses.

Net result for the period for FY23 includes a recovery in the value of the VFMC Managed Fund investment.

Revenue and income from transactions

The five-year income summary shown in Figure 1 shows split between gross royalty revenue, services revenue and other income.

Figure 1



Review of financial performance continued

Supply of services revenue represents fees received for contracted research revenue (AVS as agent for AVR) and the provision of services to AVR.

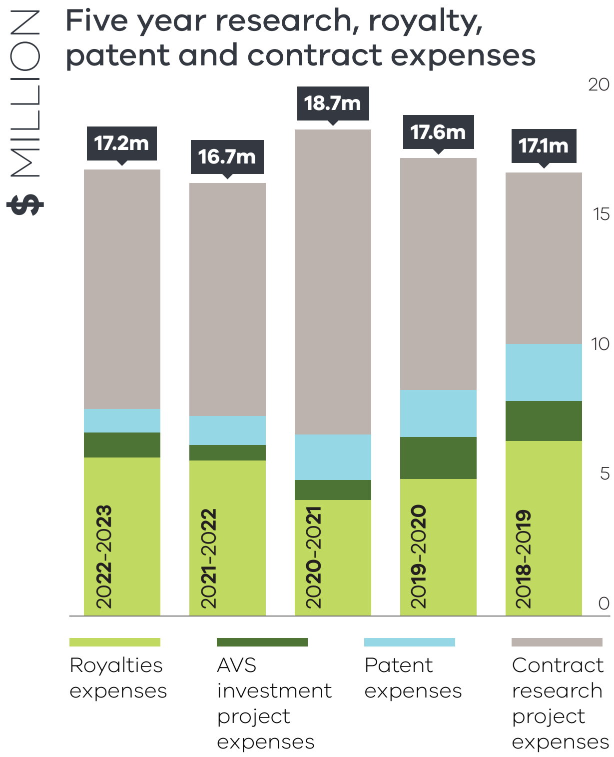
Royalty revenue is the gross royalty revenue earned from intellectual property and is prior to a distribution to IP partners (including AVR).

Other income is interest received and distributions from VFMC managed funds

Research, royalty, patent and contract expenses

Figure 2 shows the research, royalty, patent and contract expenses over the last five years.

Figure 2



Royalty expenses is the distribution of royalty revenue to AVS IP partners including AVR.

AVS investment project expenses is expenditure on commercial development of AVR research innovations.

AVS protects the outcomes of AVR's considerable innovation through Patent, Plant Breeders Rights and Trade Mark filings that represent a patent portfolio comprising 72 patent families in 35 countries.

Patent expenses represents IP registration and protection costs of IP assets.

Contract research project expenses comprises contracted research and development agreements.

Review of financial performance continued

AVS Group result net of agency transactions the table below separates agency and AVS transactions.

Table 2: Separation of Agency and AVS transactions ($ thousands)

		2022–23			2021–22	
	Total	Agency	AVS	Total	Agency	AVS
Income from transactions						
Income from supply of services	11,992	9,985	2,007	12,158	10,151	2,007
Royalty income	10,838	6,076	4,762	10,761	5,963	4,798
Interest and distribution income	1,360	–	1,360	1,164	–	1,164
Total income from transactions	**24,190**	**16,061**	**8,129**	**24,083**	**16,114**	**7,969**
Expenses from transactions						
Contract research project expenses	9,235	9,235	–	8,978	8,978	–
Royalty expenses	6,076	6,076	–	5,963	5,963	–
Patent and Investment project expenses	1,878	737	1,141	1,734	1,123	611
Employee expenses and director fees	2,855	–	2,855	2,673	–	2,673
Depreciation and amortisation	241	–	241	255	–	255
Interest expenses	35	–	35	37	–	37
Operating expenses	1,445	13	1,432	2,031	50	1,981
Total expenses from transactions	**21,765**	**16,061**	**5,704**	**21,671**	**16,114**	**5,557**
Net operating result from transactions	**2,425**	**–**	**2,425**	**2,412**	**–**	**2,412**
Other economic flows	1,466	–	1,466	(2,751)	–	(2,751)
Comprehensive result	**3,891**	**–**	**3,891**	**(339)**	**–**	**(339)**

Review of operational performance

Key operational achievements for the 2022-23 financial year.

1. Intellectual Property portfolio

Strategic Objective 1. Maximise IP asset value and impact.

The scientific activities of AVR are aimed at developing and disseminating transformational bioscience tools and technologies for the benefit of the Australian dairy, grains, red meat, horticulture and other emerging agricultural industries in Victoria. AVS has sought to protect the outcomes of AVR's considerable innovation through patent, plant breeders rights and trade mark filings.

FY23 Success Measures and Performance Indicators

AVS KPI	Annual Success Measure	FY23 Performance
IP Asset Registrations	Sixteen IP registrations and granted IP applications in Australia.	**FY23 Achieved.** This KPI is a shared AVS & AVR performance 'BP3' target.

Intellectual property registration achievements in 2022-23

Patents:

AVS lodged 6 new provisional patent applications in FY23. The provisional applications secured priority while allowing use and publication of the inventions without impacting ultimate patent protection relating to research outputs of AVR and improvements to existing patent applications:

- Plant microbiome profiling methods used to provide taxonomic information about microbial populations.
- Methods of accelerated breeding in safflower plants including manipulating target genes.
- Methods of selecting cannabis plants having high yield phenotypes based on phenological and/or morphological traits.
- Methods of generating a genetically modified safflower plant capable of producing angiogenin protein and methods of producing angiogenin in safflower plants.
- Method of preparing parent pools that are used to prepare new hybrid plants with effective self-incompatibility.
- Compositions, devices, kits and methods for insect control within an integrated pest management system.

AVS patents that proceeded to grant in FY23 included Australian standard patents and patents in countries other than Australia as set out below. These 17 granted patents further strengthen AVS-held intellectual property rights and support the commercialisation activities of AVS in Australia and other countries, by maximising research innovation impact for industry and the economic value of related IP rights for Victoria.

One AVS Australian standard patent filing that proceeded to grant in FY23 was:

- "*Bioactive fungi*" (2016325865) directed to isolated or purified fungus of *Daldinia* sp. (U254) and methods of producing fumigant compounds for biofumigation or bioprotection.

New international and national patent applications relating to existing AVR technologies were lodged in FY23 to extend geographic coverage. These IP applications were filed to further maximise research innovation impact for industry and economic value for Victoria.

AVS patents filed outside of Australia that proceeded to grant in FY23 included:

Review of operational performance continued

Enhanced forage quality for the benefit of livestock industries

- "*Modification of lignin biosynthesis via sense suppression*" (BR122021016184-4 and PI0813206-2) two patents granted in Brazil directed to genetic constructs that include a nucleic acid that is capable of modifying lignin biosynthesis in a plant.

New biological products for sustainable crop production

- "*Novel organisms*" (20130101920) granted in Argentina directed to methods of improving plant characteristics such as tolerance to water or nutrient stress or resistance to pests by modification of the plant symbiota.

- *"Selection of symbiota by screening multiple host-symbiont associations"* (BR112014029988-9 and 755190) granted in Brazil and New Zealand directed to methods of improving plant characteristics such as tolerance to water or nutrient stress or resistance to pests by modification of the plant symbiota.

- *"Method for large scale generation of artificial seeds comprising symbiota"* (2875121) granted in Canada directed to methods of preparing artificial seeds that include a seed embryo, one or more symbionts and a coating.

- *"A non-biological or microbiological method for producing an improved plant by the selection of symbiota by screening multiple host-symbiont associations"* (15043) granted in Uruguay directed to methods of producing improved plants including screening multiple host-symbiont associations and selecting for desired characteristics.

Novel forage endophytes for enhanced livestock production

- *"Novel Brachiaria-Urochloa Endophytes"* (736892, 766163 and 766162) three patents granted in New Zealand directed to isolated or purified fungal endophytes Acremonium 9.2, 1.1A and 12.1A which provide improved resistance to disease or pests when inoculated into a grass species plant.

- *"Endophytes and Related Methods"* (601073 and 764786) two patents granted in New Zealand directed to isolated or purified fungal endophytes (*E1, NEA10, NEA11, NEA12, NEA13 & NEA14*) to provide improved pest resistance and reduced toxicity and methods for selecting suitable endophyte strains.

- *"Designer Endophytes"* (611308) granted in New Zealand capturing numerous fungal endophyte variants (*NEA12dh variants*).

New elite forage cultivar breeding for enhanced yield

- *"Manipulation of self-incompatibility in plants"* (02359-2015) granted in Chile directed to methods for hybridization or self-incompatibility control in plants and nucleic acids, genetic constructs and kits comprising isolated nucleic acid or nucleic acid fragments encoding a plant self-incompatibility protein.

- *"Manipulation of self-incompatibility in plants"* (BR1120150203680) granted in Brazil directed to use of nucleic acids encoding self-incompatibility polypeptides as molecular genetic markers, genetic constructs and kits comprising the nucleic acids.

- *"Manipulation of self-incompatibility in plants"* (737378) granted in New Zealand directed to isolated nucleic acids that encode self-incompatibility proteins, genetic constructs containing the nucleic acids, plants containing the constructs, methods of manipulating self-incompatibility in a plant and purified self-incompatibility polypeptides.

Novel biomolecules for animal and human nutrition

- *"Gene Expression in Plants"* (P100104260) granted in Argentina directed to methods of modifying plant cells to introduce a gene encoding angiogenin.

Review of operational performance continued

Trade marks

AVS filed 6 trade mark applications in FY23 which relate to:

- Updating the AVS house logos.
- Digital agriculture innovations and educational hubs (such as digital sensor technologies, devices and other data analytics innovations).

AVS trade marks that were accepted or registered in FY23 relate to:

- Updated AVS logos.
- Digital agriculture innovations.
- Safflower innovations.
- Pear genetics innovations.
- Medicinal cannabis innovations.

AVR trade marks, managed by AVS, that were accepted or registered in FY23 relate to:

- AVR educational programs designed to inform school students about the importance of agricultural research & innovation.

Intellectual property portfolio information

Patents

AVS' patent portfolio comprises 72 patent families in 35 countries including subject matter related to:

- Genetic improvement of plant and animal species important to Victoria, including genomic and enabling technologies for accelerated precision breeding of crops and livestock. Commercial benefits include crop and pasture species with improved yield and adaptability to a changing climate, and increased milk and meat production through more effective breeding programs.
- Medicinal cannabis breeding technologies including methods of analysing cannabinoid and terpene content and methods of selecting plants with desired traits for breeding. These technologies allow production of cannabis plants with desirable cannabinoid and terpene profiles, means of monitoring these profiles during plant growth and optimising desirable profiles tailored to treatment of specific diseases.
- Pest and disease management including fungal and bacterial endophytes and bioactive compounds. Commercial benefits include improved yield of forage pastures and crops, increased stress tolerance and lower susceptibility to pest infestations and fungal and bacterial diseases.
- Novel seed-associated beneficial bacteria, and methods for their discovery and characterisation. These beneficial bacteria have the potential to reduce the use of traditional chemical fertilisers applied to crops, stimulate plant growth under drought conditions and protect for plants against pathogens. The combined effect is lower input costs for farm operators, reduced losses from pests or changing climate, increased crop yield, and increased farm profits.
- Digital agtech innovations for effective crop and pasture measurement, monitoring and management including sensor and software technologies for improved efficiencies on farm, during harvest and across the supply chain. These low cost, easy to use, high resolution digital solutions will provide commercial benefits including reduced crop and pasture related inputs and maximised economic outputs through increased crop and pasture yield and quality.

Plant Breeder's Rights (PBR)

AVS holds a significant PBR portfolio of plant varieties bred by AVR.

PBR registrations relate to varieties of canola, wheat, barley, field peas, lentils, chickpeas, fungal endophytes, pears, peaches, potatoes, and medicinal cannabis.

Review of operational performance continued

Trade Marks

AVS holds several trade marks related to its assets and AVR's core research portfolios. Most AVS trade marks are held in Australia with several trade marks registered in Europe, New Zealand, United States, Argentina, Thailand, Brazil, Philippines, United Kingdom, Uruguay and Indonesia.

Domain Names

Complementary domain names have been and continue to be registered as required to support AVS IP assets and AVR core research portfolios.

Table 3 and Figure 3 summarises the AVS IP portfolio held at 30 June 2023.

Table 3: AVS intellectual property portfolio between 2019 and 30 June 2023

AVS IP Portfolio components	2023	2022	2021	2020	2019
Patented inventions (Patent families)	**72**	79	81	82	83
Plant Breeder's Rights	**61**	62	58	61	59
Trade Marks (Trade Mark families)	**52**	45	39	19	13
Domain names	**62**	43	13	5	5

Figure 3: Geographic representation of AVS intellectual property portfolio

Review of operational performance continued

2. Commercial research and collaboration

Strategic Objective 2. Leverage and grow commercial research & innovation collaboration value and impact

AVS helped grow and strengthen AVR collaborations with the private sector to help realise greater value and impact for Victoria and Australian agricultural industries, by providing services that ensure:

- an effective commercial interface between AVR and private sector collaborators;
- the commercial risks of AVR collaborations with the private sector are assessed, balanced and managed;
- commercial research agreements are negotiated and supported in a professional and expert manner; and
- commercial research joint ventures are well supported to minimise risks and maximise benefits for industry.

Commercial research agreements

AVS signed 43 technical service agreements with the private sector on behalf of AVR in the following areas:

- Genomic prediction services for Australian and overseas grain breeding companies and research organisations, including genomic prediction for commercial crop breeding programs and the testing of proprietary germplasm and elite lines for quality traits.
- Methane emissions and analysis of a range of diets and feed digestibility for dairy cattle.
- Forage grass endophyte diagnostics including strain viability and alkaloid testing.
- Characterisation in milk and milk powder products.
- Disease screening of broadacre crops.
- Fungicide resistance screening of crops.
- Crop hygiene services for Australian and New Zealand horticultural organisations.
- Crop health surveys.
- Testing of bioactive compounds on plant health and performance.

Review of operational performance continued

3. Technology commercialisation

Strategic Objective 3. Enhance the commercialisation value and impact of AVR IP and IC.

FY23 Success Measures and Performance Indicators

AVS KPI	Annual Success Measure	FY23 Performance
Commercial Licences	Sixteen signed agreements granting commercialisation rights.	**FY23 Achieved.** This KPI is a shared AVS & AVR performance 'BP3' target.

The following activities relate to the licensing of AVS IP rights associated with AVR IP assets to maximise technology innovation impact for industry and economic benefits to Victoria:

New products to mitigate methane emissions for the Australian dairy industry

AVS undertook research & innovation projects with commercial entities to evaluate ruminant feed formulations and their potential to mitigate methane emissions. These projects, being delivered by AVR, are supporting the development of new feeds to maximise the economic impact for the Victorian dairy Industry. Through the *in vitro* and *in vivo* screening of the formulations, AVS is providing background technology, including AVR methods for developing new products under these project agreements.

New herbicide tolerant (HT) barley for the Australian grains industry

AVS entered into a licence agreement with a new licensee for HT barley technology in Australia. The continued development of HT barley varieties by this licensee will provide Australian grain growers with new options for grass and broadleaf weed management and for grain crop rotation.

Elite new lentil and field pea varieties for the Australian pulse industry

With the support of the Grains Research Development Corporation (GRDC) under the National Lentil and Field Pea breeding programs, AVS appointed Nutrien Ag Solutions (trading as Seednet) as the exclusive commercialisation licensee for a pipeline of next generation lentil and field pea varieties for Australian pulse producers, which include the HT trait developed by AVR. This followed an open call for expressions of interest for the evaluation and commercialisation of elite pulse varieties, in a process led by AVS in consultation with AVR and the GRDC.

Crop genetic outcomes and impact for the Australian grains industry

AVS has supported current licensees in the development and commercialisation of AVR's genome sequencing and predictive technology to progress the delivery of novel, elite crop varieties. AVS granted two licences extending the breeding rights to parental lines for the development and commercialisation of canola and wheat varieties:

- evaluation of *Russian Wheat Aphid* resistant wheat lines developed with AVR's proprietary Optimal Haploid Value (OHV) technology.
- genomic selection technology, accelerated, precision breeding, and other key AVR methods and knowhow for crop breeding.

Review of operational performance continued

New novel endophytes for the Australian and New Zealand dairy industries

AVS entered into a commercial evaluation agreement with a new licensee for the evaluation of a range of novel forage grass endophytes. The beneficial forage grass endophyte products were isolated and characterised during a collaborative research project with the Licensee. Beneficial endophytes, in association with elite grass cultivars can enhance forage grass yield, disease and pest resistance for the benefit of dairy and livestock industries.

New medicinal cannabis strains for the Australian medicinal cannabis industry

AVS entered into commercial evaluation and licence agreements with two Australian medicinal cannabis companies for the commercial evaluation and potential commercial cultivation of elite AVS CannBio developed medicinal cannabis strains.

Elite strain development has aimed to develop stable, high yielding and novel cannabinoid profiles to support a sustainable and growing medicinal cannabis industry and the development of novel medicinal products for patients.

Biological solutions for forage grasses for the Australian and New Zealand dairy industries

AVS entered a renewed licence agreement to enable the continued commercial evaluation of novel and beneficial microbes for application in forage species with the potential to decrease fertilizer inputs and increase tolerance to drought conditions.

Sustainable energy and agricultural integration

AVS entered a renewed licence agreement to continue the commercial evaluation and development of viable plant and livestock production systems capable of co-existing with large scale solar farms.

Commercialisation and collaboration advice to AVR

Agreements reviewed by AVS on behalf of AVR included collaborative research agreements, technical service agreements, material transfer agreements, research subcontracts, fee-for-service agreements, confidentiality agreements, variations and memoranda of understanding.

AVS also assisted AVR and its key stakeholders through the provision of specialist advice on rural industry research and development corporation (RDC) agreements and Commonwealth funding agency agreements, particularly in relation to contractual provisions for IP ownership, rights and liabilities.

Review of operational performance continued

4. AVS technology investment

Strategic Objective 4. Increase AVS investment impact and returns.

Through investment AVS seeks to accelerate the translation of AVR research outputs into innovative, products and services with enhanced commercial value and impact via private sector partnerships.

AVS continues to identify, assess and manage investments that:

- accelerate the translation, reach, value and commercial impact of AVR innovations
- deliver economic benefit for the state by increasing IP licensing revenues
- balance risk and reward of AVS' overall investment portfolio to deliver positive financial results.

Investment fund performance

The investment fund performed in line with its annual investment performance measures established by the Board, with several projects continuing to deliver positive impact for Australian farmers and financial returns to AVS. The investment fund will continue to support further investment that will significantly accelerate the translation, reach and commercialisation impact of emerging AVR innovations.

FY23 Success Measures and Performance Indicators

AVS KPI	Annual Success Measure	FY23 Performance
Balanced AVS Investment Portfolio	Maintain a Healthy, Balanced Investment Project Pipeline.	**Achieved** FY23 established Investment Strategy and annual FY23 review of portfolio established action plan for FY24
	Value added from AVS investment – Increase in value of NPV future cash flows.	**Achieved** a 2.2% increase in NPV of future cash flows from \$56.5m to \$57.8m.

Current investment project status

At 30 June 2023, AVS had 12 active investment projects under management.

Four of the AVS investment projects are at investment translation stage. Eight investment projects are at investment acceleration stage.

Investment Translation Stage

The four investment translation projects are Primary Oilseeds, HOLL Canola, HT Lentils and HT Barley.

Review of operational performance continued

Primary Oilseeds

Primary Oilseeds is an oilseed variety development and commercialisation project that has delivered elite *Brassica napus* (canola) germplasm and varieties via three genetic trait pipelines: conventional canola varieties, triazine-herbicide-tolerant canola varieties, and imidazolinone-herbicide-tolerant canola parental lines.

The project has been successful in enabling the growth of commercial canola breeding capacity in the private sector and through its generation of revenue to AVS and its co-licensor partners. Demand for canola seed in FY23 saw support for the last 2 varieties continue, noting FY24 is likely the final year of revenues for this project.

Key financial performance information for this project includes:

FY23 Gross royalties:
$428,736

FY23 Net royalties:
$233,233

Intangible asset:
Development

NPV future cash flows:
$85,605

Remaining life:
1 year

Net book value 30 June 2023:
$16,798

AVS HOLL Canola

The AVS HOLL Canola investment project has delivered High Oleic, Low Linolenic Acid (HOLL) *Brassica napus* (canola) hybrids with tolerance to key herbicides. Oil produced from HOLL canola offers improved shelf-life and stability at high temperatures due to its oxidative stability, as well as a lower saturated and 'trans' fats content. The adoption of HOLL canola oils in the food industry has provided increased value to consumers.

Annual HOLL variety revenues are forecast to continue until 30 June 2026.

Most varieties are near the end of their commercial life with a limited number available for seed sales in 2023 for which royalty is payable.

Key financial performance information for this project includes:

FY23 Gross royalties:
$43,873

FY23 Net royalties:
$39,486

Intangible asset:
Development

NPV future cash flows:
$43,516

Remaining life:
3 years

Net book value 30 June 2023:
$36,478

Herbicide-Tolerant (HT) Barley

AVS' imidazolinone-tolerant (HT) barley continues to hold high market share and grower support in the Australian market. Key benefits include its grain quality, excellent yield potential, improved options for grass weed control and increased flexibility in managing crop rotations where residues of imidazolinone Group 2 herbicides are already present.

Revenues from HT Barley varieties in FY23 were higher than expected and forecasts for future years anticipate ongoing steady royalty revenues returns for AVS of a magnitude that supports AVS financial sustainability and its ability to invest in new technology innovations

Key financial performance information for this project includes:

FY23 Gross royalties:
$5,622,454

FY23 Net royalties:
$3,881,109

Intangible asset:
Development

NPV future cash flows:
$16,266,250

Remaining life:
6 years

Net book value 30 June 2023:
$114,378

Review of operational performance continued

Herbicide-Tolerant (HT) Lentils

The AVS HT Lentils investment project continues to deliver new lentil varieties with tolerance to Group B herbicides used by Australian lentil growers to control broadleaf weeds in pulses. Over 80% of the Australian lentil crop is produced by five imidazolinone-tolerant lentil varieties containing the AVS HT lentil trait.

Key financial performance information for this project includes:

FY23 Gross royalties: $791,110

FY23 Net royalties: $128,761

Intangible asset: Development

NPV future cash flows: $209,714

Remaining life: 3 years

Net book value 30 June 2023: $7,926

Investment Acceleration Stage

The eight investment acceleration projects are Medicinal Cannabis Microbiome Library, Endophyte Microbiome Library, CannBio, SaffBio, OHV Wheat, Genome-edited Forages & Wheat, OHV Canola, and Phytogene. See below for background summaries and annual highlights for each of these investment projects.

Medicinal Cannabis Microbiome Library

The project aims to deliver a collection of novel microbes isolated from medicinal cannabis, which have biostimulant, biofertiliser and bioprotection properties. The project has to date produced a collection of microbes isolated from medicinal cannabis varieties, which have been characterised and assessed for bioprotection and biofertilisation functions and that may provide a broad range of agronomical benefits.

These novel bacterial strains have the potential to increase productivity for the medicinal cannabis industry, and other high value horticultural crops, by increasing yields or by reducing the cost of controlling pathogens without the use of agrichemicals.

AVS has continued to assess the agricultural biologicals market and emerging global players to identify partnering options in Australia and internationally for medicinal cannabis and horticulture applications.

Endophyte Microbiome Library

This project has established and screened a collection of seed-associated microbes isolated from Australian wild plant relatives of modern crops with potential bioprotection, biofertiliser and biostimulant applications in major crops to improve their performance.

The collection of novel microbiomes has the potential to increase farm profitability by reducing losses and costs of controlling pathogens, or by increasing yield and profitability. The project will stimulate growth of the agriculture sector and its long-term sustainability by reducing both the environmental impacts and the financial costs associated with chemical fertilisers and pesticides.

AVS has continued to assess the agricultural biologicals market and emerging global players to identify partnering options in Australia and internationally for selected microbial strains for application in major broad-acre crops and forage grasses.

Medicinal Cannabis Genetics (CannBio®)

This project aims to create, evaluate, license and deliver AVR developed medicinal cannabis technologies and strains for a range of medicinal products and applications, to continue to support the development of an emerging bioindustry in Victoria in alignment with the Victorian Government's industry plan (*Developing a medicinal cannabis industry in Victoria 2018–2021*).

To date CannBio® has sequenced more than 500 cannabis genomes to undertake a comprehensive pan-genome sequence analysis in medicinal cannabis; and carried out comprehensive metabolome and volatolome analysis in medicinal cannabis including major and minor cannabinoid analysis.

The project has developed a diverse catalogue of more than 200 proprietary medicinal cannabis strains available for licensing to suitably authorised companies to evaluate, grow and extract medicinal cannabis products for domestic and export markets. Genomic selection and accelerated breeding tools have also been developed and validated which are ready to be deployed with medicinal cannabis companies to deliver bespoke strains and medicinal products for the benefits of patients.

Review of operational performance continued

Safflower Platform (SaffBio®)

AVS' investment in AVR's genetic innovation platform for accelerated precision breeding in safflower aims to enable the generation of safflower genotypes capable of producing high-value biomolecules with broad industrial, nutritional and agricultural applications, such as extra high oleic acid (EHO) and angiogenin (RNAse5). Potential applications include dietary food supplements and feed additives in high-value markets such as pigs and poultry, as well as applications in human health and nutrition.

In FY23 it was determined that a project technical review will be conducted in FY24 to determine if SaffBio RNAse5 and safflower event outcomes can be achieved via the SaffBio transformation platform.

In the meantime, commercialisation opportunities will be pursued through licensing and evaluation with commercial partners of safflower accessions derived from the SaffBio reference population.

OHV Russian-Wheat-Aphid Resistant Wheat

Russian wheat aphid (*Diuraphis noxia*) is a major insect pest of wheat worldwide, capable of causing high economic losses through yield reduction and reduced grower margins due to increased requirements for preventative (imidacloprid seed dressing) and /or curative (in-crop) insecticide treatments. This AVS research investment project aims to demonstrate the application of Optimal Haploid Value (OHV) selection methods developed by AVR to accelerate the development of new wheat varieties with resistance to Russian wheat aphid, whilst simultaneously increasing genetic gain for yield, rust disease resistance and other key breeding traits of importance to wheat growers.

Whilst Russian wheat aphid (RWA) has not presented as a major pest in Australia at this time, the OHV RWA resistance breeding tools and germplasm developed under this project will remain available to interested Australian commercial wheat breeding companies to conduct pre-commercial technical and field evaluation.

Genome-Edited Forages and Wheat

The project objective is to develop new forage and wheat varieties that have the ability to generate fixed lines that also carry traits generated through genome editing methods like zinc finger nucleases. When combined with other novel breeding methods, like uniparental genome elimination, inter-genomic recombination and doubled haploid production, the project will generate fixed forage grass and wheat lines with the targeted trait in a single breeding cycle.

To date the project has enabled technical development of the first genome-edited perennial ryegrass low lignin events, enabled by ExZact™ gene technology in-licensed by AVS. This low lignin perennial ryegrass enhances pasture digestibility by cattle and provides more metabolisable energy.

Additionally, the project has developed genome edited haploid inducer wheat lines with the ability to produce haploid offspring containing only the chromosome set of the elite parent. However in FY24 the project requires technical review to assess the suitability of these inducer lines for commercial product development.

OHV Blackleg-Resistant Canola

Optimal Haploid Value (OHV) selection is a genomic selection technology to deliver Blackleg-disease resistant (BLr) canola genetics for breeding new BLr canola varieties by commercial canola breeding companies. Blackleg disease is caused by a fungal pathogen that poses a significant threat to the global canola industry and is responsible for the greatest production losses for canola growers in Australia.

Agreements for assessing technical feasibility of the technology by commercial partners are currently in place.

Good progress was made in FY23 in developing new genome-edited canola varieties that will incorporate the AVS OHV BLr trait technology.

Review of operational performance continued

Phytogene Pty Ltd (AVS investment in subsidiary)

Phytogene Pty Ltd is a wholly owned subsidiary of Agriculture Victoria Services Pty Ltd established through a capital investment to develop and commercialise the delayed plant leaf senescence technology with the trademark LXR®. LXR® technology has a wide range of potential applications for major plant crops by increasing dry matter production, seed yield and drought tolerance.

Phytogene has licenced the LXR® technology for application in Alfalfa, along with two other complementary traits developed by AVR: Alfalfa Mosaic Virus resistance and Aluminium tolerance. Development of a triple-stack Alfalfa product by the licensee progressed via greenhouse trials. The licensee has indicated that the selection of events for progression to field trials requires further testing in a glasshouse environment in 2023-24.

Phytogene has also partnered with a seed and traits company in South America to progress the field evaluation of LXR®-Wheat events. The project progressed well to the next phase of product development and is being crossed with the licensee's own wheat lines in readiness for regulatory field trials. A Licence Agreement for the commercialisation of LXR®-wheat is under review by the parties.

Phytogene is also pursuing the commercialisation of another GM technology that enhances plant biomass and increases energy content (soluble carbohydrates) for grazing animals. The Biomass Enhancement Technology or BET, is being evaluated by the *Faculty of Agronomy of the University of Buenos Aires* in Argentina, assessing the effect of the high-carbohydrate content BET-ryegrass on grazing sheep.

Investment project in development

SmartSense Agtech

AVS progressed its planning for investment in a digital agtech data capture and analytics technology, currently planned for pilot launch in 2023 and commercial launch in 2024. Progress included the technology enhancement, application development for and UX design for web interfaces, customer testing and evaluation of the digital pasture measurement and predictive modelling software web application, commercialisation and business planning, and negotiating suitable IP licensing arrangements with partners.

Corporate governance and organisation structure

AVS has a comprehensive governance framework in place to ensure that the Company and its subsidiary comply with their legal and statutory obligations, meet expected standards of propriety and deliver against their corporate responsibilities to provide IP and commercialisation services to the Department.

Company incorporation status

AVS is a private company incorporated under the provisions of the *Corporations Act 2001* (Cth). The Victorian Government owns the Company's issued capital, with the shareholder being represented through the Minister for Agriculture.

AVS has five million issued shares that are held on behalf of the State of Victoria by the Secretary of DEECA. 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, Hon Gayle Tierney MP, or her delegate, shall, from time to time, direct.

Responsibilities and composition of the Board of directors

The directors of AVS are responsible for the governance of the Company, including setting its direction, establishing goals and monitoring performance.

The Board consists of six non-executive directors. Directors are appointed in accordance with the relevant Victorian Government guidelines.

The current board members are as follows:

Director	Appointment Term
Ms Sam Andersen (Chair)	1 November 2016 to 30 June 2024
Dr Richard Aldous	1 November 2016 to 30 June 2024
Dr Amanda Caples	1 November 2016 to 31 October 2023
Ms Jane Perrier	1 July 2021 to 31 October 2024
Mr Richard Jagger	1 July 2021 to 31 October 2024
Dr Jan Tennent	1 August 2021 to 31 October 2023

Corporate governance and organisation structure continued

Board committees

During 2023-24, the Board has determined to improve efficiency through realignment of the committees and their respective Charters. From 1 July 2023, the Investment Committee has been disbanded and its responsibilities have been assumed by the Board. The description below applies to the structure in operation for the reporting period from 1 June 2022 until 30 June 2023.

1. Audit and Risk Management Committee

The purpose and objectives of the Audit and Risk Management Committee (ARMC) are defined in the AVS ARMC Charter approved by the Board and include oversight and advice on matters of accountability, compliance, performance and risk management. Members of the ARMC during 2022-23 were:

Mr Geoffrey Harry	**Chair and Independent member**
Ms Sam Andersen	**AVS director**
Ms Jane Perrier	**AVS director**
Mr Richard Jagger	**AVS director**

The committee met four times during 2022-23.

The ARMC was assisted in the discharge of its duties by HLB Mann Judd Pty Ltd acting as the Company's internal auditor.

The main responsibilities of the ARMC are to:

- review and report independently to the AVS Board on the annual report and all other financial information published by AVS
- assist the AVS Board in reviewing the effectiveness of its internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
  - fraud and corruption control policies
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors
- oversee the effective operation of the risk management framework.

2. Remuneration Committee

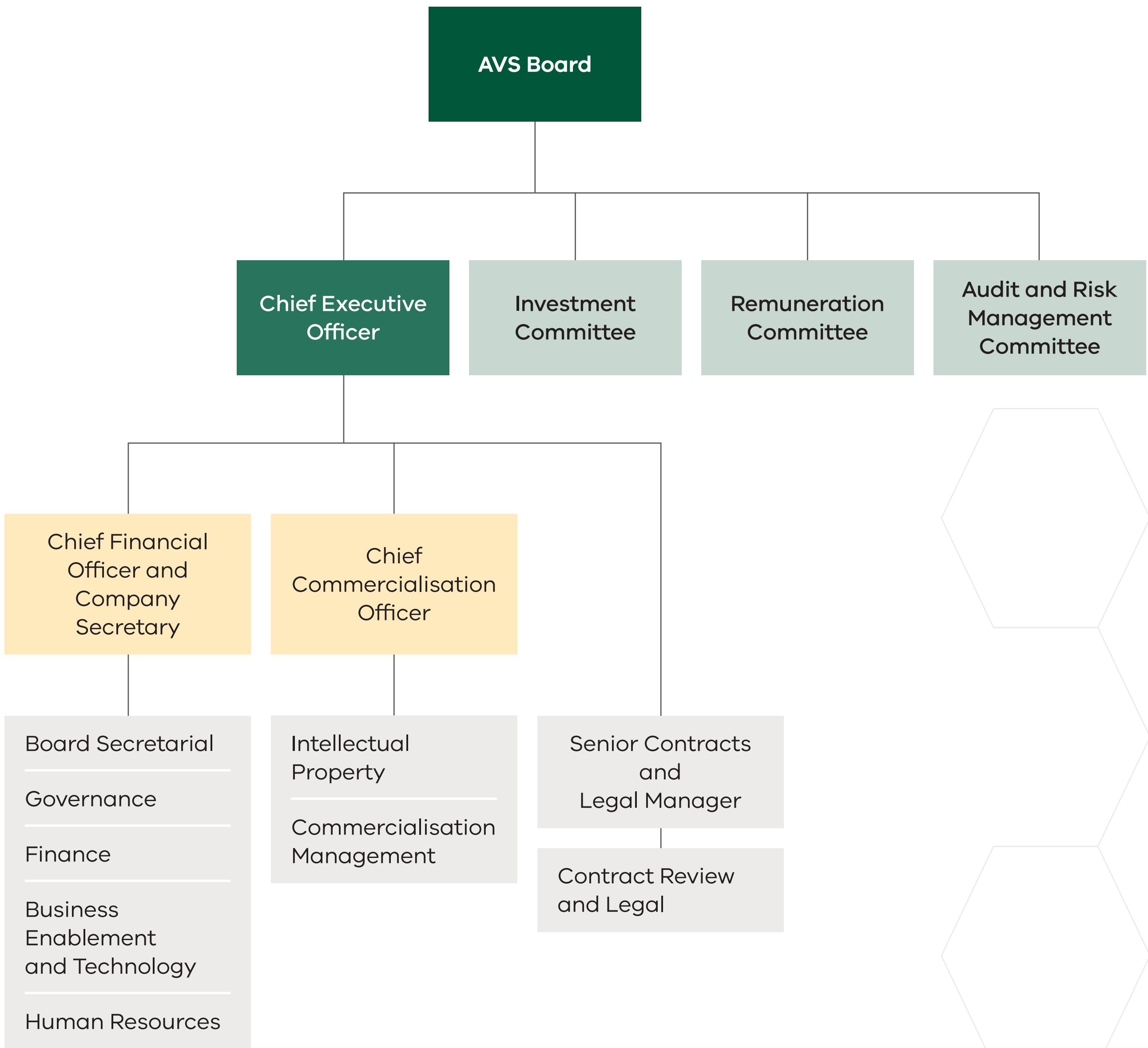
The Remuneration Committee meets on an as-needed basis to determine, approve and set remuneration terms and conditions for Company employees. All directors are members of the Remuneration Committee, which met once during 2022-23.

3. Investment Committee

The Investment Committee is constituted under the AVS Investment Policy and Procedure approved by the AVS Board. It is responsible for assisting and advising the AVS Board on matters relating to the investment of AVS funds and their periodic review and valuation. All directors are members of the Investment Committee, which met six times during 2022-23. From 1 July 2023, the Investment Committee has been disbanded and its responsibilities have been assumed by the Board.

Corporate governance and organisation structure continued

Organisational structure at 30 June 2023



Corporate governance and organisation structure continued

Policies and procedures

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

Risk management

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

Voluntary attestation of compliance under S53A of *Financial Management Act*

Agriculture Victoria Services Pty Ltd Financial Compliance Attestation Statement:

Agriculture Victoria Services Pty Ltd is a Declared Body under Section 53A of the Financial Management Act and as such it is not bound by the Standing Directions of the Minister for Finance. However, the Company has resolved to align with the Standing Directions on a voluntary basis. The following attestation is made in the context of this voluntary compliance.

I, Shane Cagney, on behalf of Agriculture Victoria Services Pty Ltd, certify that the Agriculture Victoria Services Pty Ltd has no material deficiencies with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and Instructions.

S Cagney

Mr Shane Cagney
Interim Chief Executive Officer
Agriculture Victoria Services Pty Ltd
25 August 2023

Corporate governance and organisation structure continued

Workforce Data

Employment principles

Employee appointment principles

AVS is committed to applying merit, diversity and equity principles when appointing staff.

The selection processes ensure that applicants are assessed and evaluated fairly and equitably based on the key selection criteria and other accountabilities without discrimination.

Public sector values and employment principles

The *Public Administration Act 2004* (Vic) established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, as well as advocate for public sector professionalism and integrity.

AVS has a range of policies and practices that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. AVS also advises its employees on how to avoid conflicts of interest, how to respond to offers of gifts and how the Company deals with related misconduct.

Occupational health and safety

AVS is committed to minimising or eliminating as far as practicable risks to the safety and wellbeing of employees, contractors and any other person performing work for, or on premises controlled by AVS.

The Safety and Wellbeing Management System (SWMS) approved by the Board consists of a continuous improvement process; risk management framework; and a range of policies, procedures and guidelines. During the 2022–23 financial year, AVS participated in several initiatives to improve the health, wellbeing and safety of staff and quarterly safety audits to identify and address any workplace risks. Access to the Department's employee assistance program and its health and wellbeing portal is available to AVS staff. AVS achieved its health, wellbeing and safety targets for 2022–23 as described in the table below:

AVS Safety and Wellbeing Targets 2022-23	Target	Actual
1. Lost Time Incidents – Total	0	0
2. Accepted WorkCover Claims	0	0
3. % of employees having completed Safety and Wellbeing training	100%	100%
4. Safety and Wellbeing Incidents – Investigations commenced within 2 business days of reporting	100%	100%
5. % of site safety meetings attended by an AVS representative	100%	100%

Legislative framework

***Corporations Act 2001* (Cth)**

AVS is an incorporated entity limited by shares, registered under the Corporations Act.

***Public Administration Act 2004* (Vic)**

The Act incorporates a set of values and principles to guide public administration and provides a framework designed to ensure effective and consistent governance across the entire Victorian public sector. The VPSC is established under the Act to support its administration and implementation. AVS is classified as a Public Entity under the 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* (Vic)**

The Act applies to AVS as a Declared Body under Section 53A of the Act. This requires that the Minister tables the Company's annual report in Parliament.

***Audit Act 1994* (Vic)**

The Act provides for the conduct of efficient and effective financial audits of the Victorian public sector. AVS is subject to annual audit by the Auditor General. At present the audit of AVS is conducted by RSD Audit for the Auditor General.

***Privacy and Data Protection Act 2014* (Vic)**

The Act specifies 10 Information Privacy Principles (IPPs). With limited exemptions, all Victorian Government organisations, contracted service providers and local councils must comply with the IPPs.

***Public Interest Disclosures Act 2012* (Vic)**

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.

The Act encourages and assists people in making disclosures of improper conduct by public officers and public bodies. It also provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

AVS does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct.

AVS is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures to reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

AVS take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure and has policies and procedures in place to provide guidance in these circumstances.

Disclosures of improper conduct or detrimental action by AVS or any of its employees may be made directly to IBAC:

The Public Interest Disclosures Policy and Procedures are available on the AVS website at agvicservices.com.au

Disclosures under the Public Interest Disclosures Act 2012

Disclosures	2022–23 number	2021–22 number
Number of disclosures made by an individual to IBAC – Assessable disclosures	Nil	Nil

Directors' report

The directors of Agriculture Victoria Services Pty Ltd (AVS) present their report together with the consolidated annual financial report of AVS and its subsidiary, Phytogene Pty Ltd, for the year ended 30 June 2023 and the independent auditor's report thereon.

All directors have been in office since the start of the financial year to the date of this report. Details of the directors during the financial year (including qualifications, experience and membership of board sub-committees) are set out on pages 8 and 9.

Directors

The directors of AVS at any time during the financial year were:

- Ms Sam Andersen
- Mr Richard Jagger
- Dr Richard Aldous
- Ms Jane Perrier
- Dr Amanda Caples
- Dr Jan Tennent

Company Secretary

The Company Secretary during the year was Mr Shane Cagney.

Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of AVS during the financial year were:

	Board		Committees					
	Meetings		Audit and Risk		Investment		Remuneration	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
SD Andersen	6	6	4	4	6	6	1	1
RTH Aldous	6	6	–	–	6	6	1	1
A Caples	6	6	–	–	6	6	1	1
R Jagger	6	6	4	4	6	6	1	1
J Perrier	5	6	2	4	5	6	1	1
J Tennent	5	6	–	–	5	6	1	1
GD Harry[(a)]	–	–	4	4	–	–	–	–

Notes: *(a) Mr GD Harry is the Chair and Independent Member of the Audit and Risk Committee.*

Directors' report continued

Principal activities

During the year, the principal activities of AVS were:

- the provision of IP strategy and management services to the Department
- the provision of IP commercialisation, collaboration and risk management services to the Department
- investment in Department technologies and research outputs to enhance and accelerate adoption.

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

Financial performance

A detailed review of financial results is provided on pages 10 and 11. The net operating result for the consolidated entity for the year was $2.4 million (2022: $2.4 million). The net result (after other economic flows) was a profit of $3.9 million (2022 loss of $0.3 million).

Operational performance

A comprehensive review of operations is provided on pages 10 to 24.

Significant changes in the state of affairs

In the interval between the end of the financial year and the date of this report, the AVS subsidiary, Phytogene, was advised of results of research by the licensee of one if its technologies indicating that further testing is required.

The additional time required to undertake the research may impact future revenues from the technology. Based on information currently available there is no material impact on the financial position of the AVS Group and its subsidiary Phytogene.

Except for the matter disclosed above, there are no other matters and/or circumstances that have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Company.

Dividends

The directors have not declared a dividend for the year ended 30 June 2023 (2022: nil). No dividend has been paid during the year ended 30 June 2023 (2022: nil).

The department has called for a 2023-24 efficiency dividend of 1% of 2022-23 actual expenditure from all departmental public entities to be paid to the department. The company is required to find savings in its 2023-24 budget expenditure to match the efficiency dividend. A departmental efficiency dividend is not a *Corporations Act* declaration of dividend by directors to its shareholders but rather a shareholder requested payment to achieve whole of department savings.

Events after reporting date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction, or event of a material and unusual nature likely, in the opinion of the directors of AVS, to significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Likely developments

The consolidated entity will continue to provide IP, commercial and risk management services to the Department and invest in AVR technologies during the next financial year.

Impact of legislation and other external requirements

In addition to the *Corporations Act*, AVS is required to comply with additional legislation detailed on page 30. This legislative framework reflects AVS status as an entity wholly owned by the State of Victoria.

Environmental legislation

AVS operations are not affected to any particular or significant environmental regulation under a law of the Commonwealth or of a state or territory in Australia.

Directors' report continued

Directors' interests

No director holds an interest in any shares of the Group. The sole beneficial shareholder is the State of Victoria.

Indemnification and insurance of officers and auditors

The Company has not, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of AVS against a liability incurred.

Non-audit services

As required, the Victorian Auditor-General's Office has not performed any services for the Company and its subsidiary entity other than the audit and review of the annual financial report.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

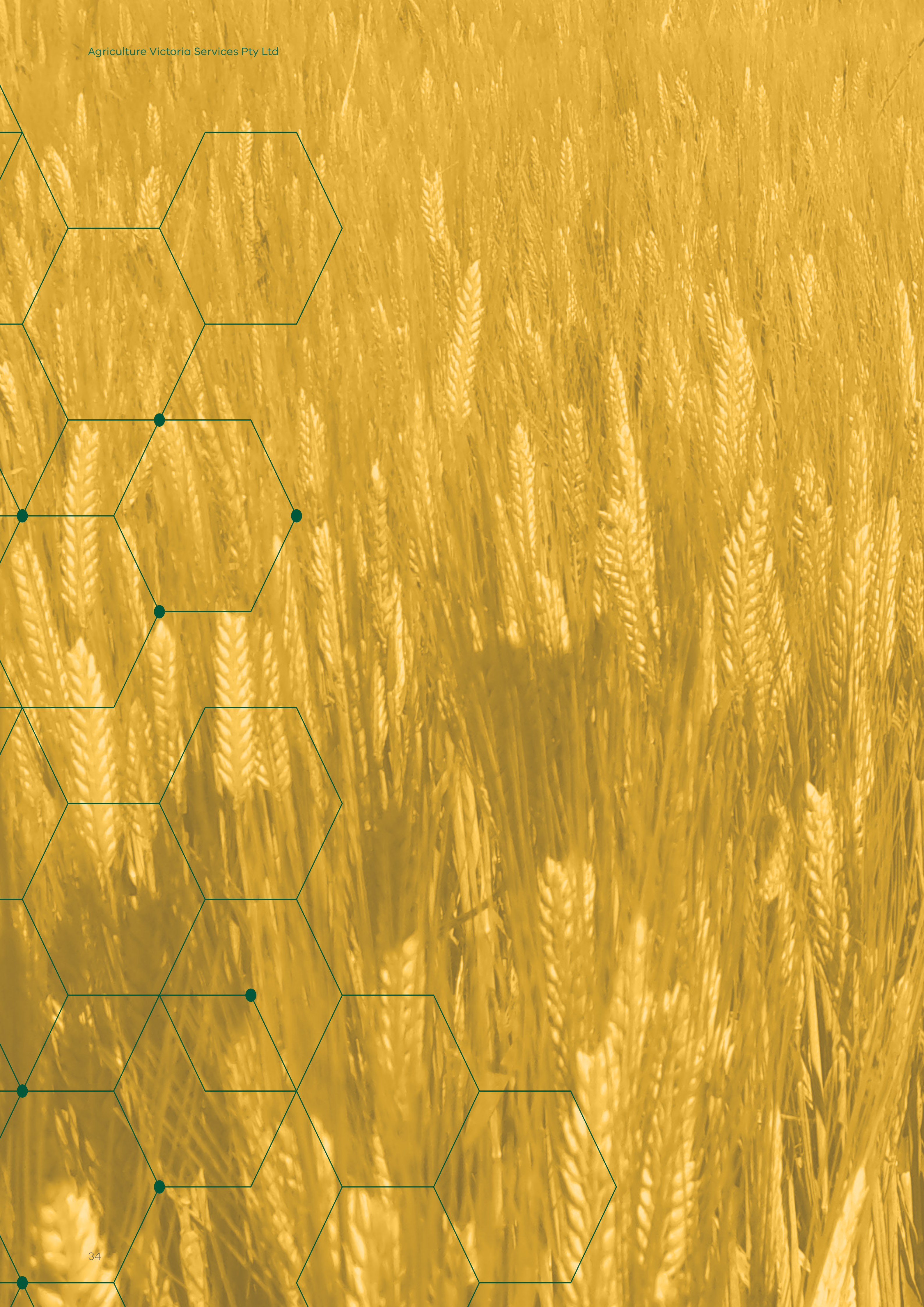
Auditor's independence declaration

The auditor's independence declaration is set out on page 37 of this report and forms part of the directors' report for the financial year ended 30 June 2023.

This directors' report is made out in accordance with a resolution of the directors:

Ms Sam Andersen
Director
25 August 2023

Dr Amanda Caples
Director
25 August 2023



ANNUAL FINANCIAL REPORT 2022-23

Annual financial report 2022–23

Agriculture Victoria Services Pty Ltd (AVS) has presented its audited general purpose annual financial report for the financial year ended 30 June 2023 in the following structure to provide users with information about the AVS stewardship of resources entrusted to it.

Directors' declaration

In the opinion of the directors of Agriculture Victoria Services Pty Ltd (the Company):

1) The consolidated annual financial report and notes are in accordance with the *Corporations Act 2001*, including:
   a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
   b) complying with the Australian Accounting Standards (including the Australian Accounting Standards Interpretations) and the Corporations Regulations 2001.
2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3) At the time of signing, we are not aware of any circumstance which would render any particulars included in the annual financial report to be misleading or inaccurate.

We authorise the attached annual financial report for issue on 25 August 2023.

Ms Sam Andersen
Director
25 August 2023

Dr Amanda Caples
Director
25 August 2023

Annual Financial Report 2022–23 continued

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Directors of Agriculture Victoria Services Pty Ltd

Opinion	I have audited the consolidated financial report of Agriculture Victoria Services Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the: • consolidated entity and company consolidated balance sheet as at 30 June 2023 • consolidated entity and company consolidated comprehensive operating statement for the year then ended • consolidated entity and company consolidated statement of changes in equity for the year then ended • consolidated entity and company consolidated cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • directors' declaration. In my opinion the financial report is in accordance with the *Corporations Act 2001* including: • giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2023 and of their financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the Corporations Regulations 2001.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Directors' responsibilities for the financial report	The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Annual Financial Report 2022–23 continued

	In preparing the financial report, the Directors are responsible for assessing the company and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.
Auditor's responsibilities for the audit of the financial report	As required by the Audit Act 1994, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and the consolidated entity's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors • conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company and the consolidated entity to cease to continue as a going concern. • evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation

Annual Financial Report 2022–23 continued

Auditor's responsibilities for the audit of the financial report (continued)	• obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the company and the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the company and the consolidated entity. I remain solely responsible for my audit opinion. I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards

MELBOURNE
30 August 2023

Simone Bohan
as delegate for the Auditor-General of Victoria

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Annual Financial Report 2022–23 continued

OFFICIAL

VAGO
Victorian Auditor-General's Office

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 2023, I declare that, to the best of my knowledge and belief, there have been:

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

MELBOURNE
30 August 2023

Simone Bohan
as delegate for the Auditor-General of Victoria

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Annual Financial Report 2022–23 continued

Consolidated comprehensive operating statement

For the year ended 30 June 2023

	Notes	Consolidated 2023 $	Consolidated 2022 $
Continuing operations			
Revenue and income from transactions			
Revenue from services and royalties	2.1	22,830,154	22,918,897
Other Income	2.1	1,359,815	1,164,370
Total revenue and income from transactions		**24,189,969**	**24,083,267**
Expenses from transactions			
Employee and director expenses	3.2.1	(2,854,998)	(2,785,750)
Depreciation and amortisation	4.4	(241,092)	(254,883)
Interest expense	6.1.1	(34,602)	(36,677)
Research and development, royalty and patent expenses	3.3	(17,189,150)	(16,674,561)
Other operating expenses	3.4	(1,445,543)	(1,919,452)
Total expenses from transactions		**(21,765,385)**	**(21,671,323)**
Net result from transactions (net operating result)		**2,424,584**	**2,411,944**
Other economic flows included in net result			
Net gain/(loss) on non-financial instruments	8.1	–	62,828
Net gain/(loss) on financial instruments	8.1	1,486,698	(2,853,208)
Other gains/ (losses) from other economic flows	8.1	(20,480)	39,431
Total other economic flows included in net result		**1,466,218**	**(2,750,949)**
Net result		**3,890,802**	**(339,005)**
Comprehensive result		**3,890,802**	**(339,005)**

The accompanying notes form part of the annual financial report.

Annual Financial Report 2022–23 continued

Consolidated Balance Sheet

As at 30 June 2023

	Notes	Consolidated 2023 $	Consolidated 2022 $
Assets			
Financial assets			
Cash and deposits	6.2	22,972,614	19,338,946
Receivables	5.1	6,008,715	3,964,268
Investments and other financial assets	4.7	24,450,060	23,722,788
Total financial assets		**53,431,389**	**47,026,002**
Non-financial assets			
Plant, equipment and motor vehicles	4.1	96,276	108,586
Right-of-Use assets	4.2	457,091	497,430
Intangible assets	4.5	142,078	214,340
Leasehold improvements	4.3	432,793	505,996
Other non-financial assets	5.3	326,834	155,840
Total non-financial assets		**1,455,072**	**1,482,192**
Total assets		**54,886,461**	**48,508,194**
Liabilities			
Payables	5.2	14,663,040	12,218,006
Borrowings	6.1.3	32,427	37,868
Lease liability	6.1.4	667,587	729,747
Employee related provisions	3.2.2	738,727	628,695
Total liabilities		**16,101,781**	**13,614,316**
Net assets		**38,784,680**	**34,893,878**
Equity			
Accumulated surplus		33,784,680	29,893,878
Contributed capital	8.6	5,000,000	5,000,000
Net worth		**38,784,680**	**34,893,878**

The accompanying notes form part of the annual financial report

Annual Financial Report 2022–23 continued

Consolidated cash flow statement

For the year ended 30 June 2023

	Notes	Consolidated 2023 $	Consolidated 2022 $
Cash flows from operating activities			
Receipts			
Receipts from customers		24,120,999	23,072,542
Other revenue received		2,058,625	1,333,583
Total receipts		**26,179,624**	**24,406,125**
Payments			
Payments to suppliers and employees		(22,293,446)	(26,635,576)
Goods and services tax paid to the ATO [a]		(866,939)	(895,583)
Interest and other costs of finance paid		(34,602)	(38,924)
Total payments		**(23,194,987)**	**(27,570,083)**
Net cash flows from/(used in) operating activities	6.2.1	**2,984,637**	**(3,163,958)**
Cash flows from investing activities			
Proceeds from disposal of PE & MV		–	63,758
Payment for purchase of PE & MV		–	(91,280)
Funds invested in Term Deposits		–	(2,020,000)
Cash withdrawal from matured Term Deposits		2,020,000	–
Reinvestment of distribution revenue		(1,260,390)	–
Net cash flows from/(used in) investing activities		**759,610**	**(2,047,522)**
Cash flows from financing activities			
Repayment of borrowings		(5,441)	(11,642)
Repayment of principal portion of lease liabilities		(105,138)	(94,867)
Net cash flows used in financing activities		**(110,579)**	**(106,509)**
Net increase/(decrease) in cash and cash equivalents		**3,633,668**	**(5,317,989)**
Cash and cash equivalents at beginning of financial year		19,338,946	24,656,935
Cash and cash equivalents at end of financial year	6.2	**22,972,614**	**19,338,946**

The accompanying notes form part of the annual financial report.

Notes: *(a) GST received from / (paid to) the Australian Taxation Office is presented on a net basis.*

Annual Financial Report 2022–23 continued

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Consolidated		
	Accumulated surplus $	Contributions by owner $	Total $
Balance at 1 July 2021	**30,232,883**	**5,000,000**	**35,232,883**
Net result for the year	(339,005)	–	(339,005)
Balance at 30 June 2022	**29,893,878**	**5,000,000**	**34,893,878**
Balance at 1 July 2022	**29,893,878**	**5,000,000**	**34,893,878**
Net result for the year	3,890,802	–	3,890,802
Balance at 30 June 2023	**33,784,680**	**5,000,000**	**38,784,680**

The accompanying notes form part of the annual financial report.

Notes to the Annual Financial Report

For the year ended 30 June 2023

1. About this report

Introduction

Agriculture Victoria Services Pty Ltd (the Company/AVS) is domiciled in Victoria, Australia and its registered office is at 5 Ring Road, Bundoora, VIC 3083, Australia. The Company is a private company incorporated under the provisions of the *Corporations Act 2001*. The Government of Victoria beneficially owns 100% of the Company's issued share capital with the shareholder being represented through the State Minister for Agriculture.

The general purpose consolidated annual financial report comprises the Company and its wholly owned subsidiary, Phytogene Pty Ltd (together referred to as the 'Group').

A description of the nature of the Company's operations and its principal activities are included earlier in this annual report, which does not form part of the consolidated annual financial report. The consolidated annual financial report was authorised for issue by the Directors of the Company on 25 August 2023.

1.1 Basis of preparation

The consolidated annual financial report has been prepared on the following basis:

1.2 Currency

All figures are denominated in Australian dollars.

1.3 Historical Cost

The historical cost convention has been applied with the exception of long-term employee benefit provisions, which are stated at the present value of estimated future cash flows, and for the revaluation of selected assets for which the fair value basis of accounting (explained later in these notes) has been applied.

1.4 Accrual Basis

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

1.5 Accounting Policies

Accounting policies are 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.

1.6 Consolidation of Group Entities

The Group annual financial report consolidates the results of the Company and its wholly owned subsidiary company, Phytogene Pty Ltd (together referred to as the Group). The subsidiary has a reporting date of 30 June.

All transactions and balances between the two companies are eliminated on consolidation.

The consolidated Group annual financial report does not include a separate annual financial report for the parent, but does include limited financial information about AVS in these notes. Disclosures regarding AVS include the limited disclosures required by Reg. 2M.3.01 of the *Corporations Regulations 2001*. Where Group entities have adopted dissimilar accounting policies and the effects of those differences are material to the group results, adjustments are made to ensure that consistent policies are adopted in the consolidated annual financial report.

1.7 Judgements, Estimates and Assumptions

Judgements, estimates and assumptions are required to be made about financial information presented. Significant judgements made in the preparation of the annual financial report are disclosed elsewhere in these notes where those judgements may significantly impact the disclosures and/or measurements.

Estimates and associated assumptions are based on professional judgements derived from historical experience and other factors that are believed to be relevant in the circumstances. Actual results in future reporting periods may differ from the estimates and assumptions made in this annual financial report.

Notes to the Annual Financial Report continued

Revisions to accounting estimates are recognised in the reporting periods in which the estimates are revised and also in future periods that are affected by the revision. Significant judgements, estimates and assumptions made by management are disclosed elsewhere in these notes.

1.8 Compliance information

The consolidated general purpose annual financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board. Where applicable, the consolidated general purpose annual financial report has also been prepared in accordance with the 2022-23 Department of Treasury and Finance (DTF) Model Financial Report.

2. Funding delivery of our services

The Group is a specialist, professional entity responsible for the protection and commercialisation of novel technologies created by bioscience and agriculture research undertaken by the Department of Energy, Environment and Climate Action (the Department, DEECA).

The Group manages a significant Intellectual Property (IP) portfolio on behalf of the Government of Victoria and other IP equity holders. The portfolio benefits the agricultural industry and the State's economy through the commercial application of these research and innovation outcomes.

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

The Group has made judgements that revenue from services and royalties are recognised under *AASB 15 – Revenue from Customers* on the basis that contracts contain sufficiently specific performance obligations.

2.1 Summary of revenue and income that funds the delivery of our services

	Consolidated	
	2023 $	2022 $
Revenue from services and royalties		
Revenue from supply of services	11,992,125	12,157,519
Royalty income	10,838,029	10,761,378
Total revenue from services and royalties	**22,830,154**	**22,918,897**
Other income		
Interest on bank deposits	790,742	27,135
Investment distributions	569,073	1,137,235
Total other income	**1,359,815**	**1,164,370**
Total revenue and income from transactions	**24,189,969**	**24,083,267**

Notes to the Annual Financial Report continued

Performance obligations and revenue recognition policies

Revenue recognised under *AASB 15 – Revenue from contracts with customers*

Total revenue from services and royalties are transactions that the Group has determined to be classified as revenue from contracts with customers in accordance with AASB 15.

Revenue is measured based on the consideration specified in the contract with the customer. The Group recognises revenue when it transfers control of a service to the customer, that is when the performance obligations for the services to the customer is satisfied.

Revenue from the supply of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided.

Revenue from services comprises revenue from contracts with the Group, and with the Group acting as agent, for the provision of intellectual property management, research and commercialisation services.

Revenue from the supply of services is recognised when the amount of the income, stage of completion and transaction costs incurred can be reliably measured. Under this method, revenue from supply of services is recognised by reference to the deliverables and fees specified or labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

Consideration received in advance of recognising the associated revenue from the customer is recorded as a contract liability. Where the performance obligation is satisfied but not yet billed, a contract asset is recorded.

Royalty income flows from the intellectual property portfolio of the Group, the State and other IP equity holders. Royalty income is recognised after the agricultural season to which the royalty earning activity relates and upon completion by the licensee of annual license reports as required under license agreements.

Income recognised under *AASB 1058 – Income of not-for-profit entities*

Income recognised under AASB 1058 has been earned under arrangements that are not enforceable or linked to specific performance obligations. Income without sufficiently specific performance obligations or obligations that are not enforceable are recognised when the Group has an unconditional right to receive cash which usually coincides with receipt of cash.

Interest income includes interest received on bank term deposits and other investments and the realisation over time of the discount on financial assets. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Investment distributions is recognised when the Group's right to receive payment has been established and when the trustee declares a distribution.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions but are reported as part of income from other economic flows in the net result, forming part of the total change in net worth in the comprehensive result.

Notes to the Annual Financial Report continued

3. The cost of delivering our services

Introduction

This section provides details of the expenses incurred by the Group in delivering services and outputs.

Structure

3.1 Expenses incurred in delivery of services

Expenses are recognised for each of the Group's major activities as follows:

	Notes	Consolidated 2023 $	2022 $
Employee and director expenses	3.2.1	2,854,998	2,785,750
Research and development, royalty and patent expenses	3.3	17,189,150	16,674,561
Operating expenses	3.4	1,445,543	1,919,452
Total expenses incurred in delivery of services		**21,489,691**	**21,379,763**

3.2 Employee and director expenses

3.2.1 Employee and Director benefits in the comprehensive operating statement

	Consolidated 2023 $	2022 $
Salaries and wages, annual leave and long service leave	2,499,661	2,460,851
Director's fees	114,497	111,719
Defined contribution superannuation expense	240,840	213,180
Total employee benefit expenses	**2,854,998**	**2,785,750**

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

Director' fees represent remuneration paid the Company's directors. Refer to note 8.2 for other details.

The amount recognised in the comprehensive operating statement for superannuation is the employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period. The Group does not have any employees on defined benefit superannuation plans.

Notes to the Annual Financial Report continued

3.2.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	Consolidated	
	2023 $	2022 $
Current provisions:		
Annual leave		
Unconditional and expected to settle within 12 months	259,376	277,186
Long service leave		
Unconditional and expected to settle within 12 months	5,504	18,378
Unconditional and expected to settle after 12 months	376,190	255,325
Provisions for on-costs		
Unconditional and expected to settle within 12 months	936	3,055
Unconditional and expected to settle after 12 months	63,984	42,448
Total current provisions for employee benefits	**705,990**	**596,392**
Non-current provisions:		
Employee benefits	27,978	27,698
On-costs	4,759	4,605
Total non-current provisions for employee benefits	**32,737**	**32,303**
Total provisions for employee benefits	**738,727**	**628,695**

Notes to the Annual Financial Report continued

3.2.3 Reconciliation of movement in provisions

	Consolidated	
	2023 $	2022 $
Opening balance	**628,695**	**468,413**
Additional provisions recognised	328,033	223,490
Reductions arising from payments/other sacrifices of future economic benefits	(197,521)	(102,639)
Unwind of discount and effect of changes in the discount rate	(20,480)	39,431
Closing balance	**738,727**	**628,695**
Current	705,990	596,392
Non-current	32,737	32,303

Annual leave: Liabilities for annual leave and on-costs are recognised as part of the employee benefit provision as current liabilities, because the Group does not have an unconditional right to defer settlements of these liabilities.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

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

The components of this current LSL liability are measured at:

- undiscounted value – if the Group expects to wholly settle within 12 months; or
- present value – if the Group does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction in the continuing operations section of the comprehensive operating statement, 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' in the net result.

Notes to the Annual Financial Report continued

3.2.4 Superannuation contributions

Employees of the Group are entitled to receive superannuation benefits and the Group contributes to defined contribution plans. The Group no longer has any employees on defined benefit superannuation plans.

	Consolidated		Consolidated	
	Paid contribution for the year		Contribution outstanding at year end	
	2023 $	2022 $	2023 $	2022 $
Defined contribution plans				
VicSuper	98,900	109,422	9,230	12,187
Other	119,893	86,441	12,817	5,130
Total	**218,793**	**195,863**	**22,047**	**17,317**

3.3 Research and development, royalty and patent expenses

	Consolidated	
	2023 $	2022 $
Contracted agency research expenses	9,235,734	8,977,681
Investment commercialisation project expenses	965,652	522,990
Royalty expenses	6,075,759	5,962,999
Patent expenses	912,005	1,210,891
Total research and development, royalty and patent expenses	**17,189,150**	**16,674,561**

Contracted agency research expenses include expenditure on research and development activities conducted by the Department that are funded by third parties (with the Group acting as the agent). It is recognised as an expense in the period in which it is incurred.

Investment commercialisation project expenses represents all forms of research phase expenditure on AVS investment commercialisation projects. These are recognised as an expenses in the period in which they are incurred.

As at 30 June 2023, the Group had twelve active investment projects under management. In accordance with *AASB 138 – Intangible Assets*, seven of these projects have been assessed as remaining in the research phase with expenditure expensed in the year incurred. Five projects are assessed as being in the development phase with expenditure being capitalised and reported as intangible assets (Note 4.5). One of the five projects is recognised as an investment in the subsidiary company (Note 4.6).

Royalty expenses are the costs of distribution of the royalties to intellectual property equity holders and are recognised as an expense in the reporting period in which they are incurred.

Patent expenses include protection, prosecution and annual renewal of intellectual property assets and are recognised as expenses in the reporting period in which they are incurred.

Notes to the Annual Financial Report continued

3.4 Operating expenses

	Consolidated	
	2023 $	2022 $
Supplies and services		
Consulting fees	295,145	538,054
Agency costs	217,153	355,631
Insurance	151,168	125,714
Recruitment costs	124,264	72,854
Legal services	121,156	279,146
Managed service (ICT)	116,875	116,875
Subscriptions and memberships	66,055	55,894
Audit services	61,260	72,049
Cleaning and property services	50,610	10,432
ICT costs	45,338	48,579
Other borrowing costs (other than interest)	2,788	6,336
Other operating expenses	193,731	237,888
Total operating expenses	**1,445,543**	**1,919,452**

Operating expenses generally represent the day-to-day running costs incurred in normal operations.

Supplies and services are recognised as expenses in the reporting period in which they are incurred.

Managed Service (ICT) is a standard operating environment charge per employee levied by the Department for the provision of all infrastructure, hardware and software requirements.

Consulting fee represents the cost of consultant services in support of AVS strategic initiatives and projects and the outsourcing of some business services.

Legal services represents the cost of legal advice required by the Company to perform its services to the department and others.

Agency cost represents the cost of temporary assignments of outsourced roles due to staff vacancies.

Notes to the Annual Financial Report continued

4. Key assets available to support output delivery

Introduction

The Group controls IP and technology investments and other investments and assets that are utilised in fulfilling its objectives and conducting its activities.

Significant judgement: Classification of investments as 'key assets'

The Group has made the judgement that investments (including investments in subsidiary) are key assets utilised to support the Group's objectives and outputs.

Estimating useful life of property, plant and equipment

The Group assigns an estimated useful life to each item of property, plant and equipment. This is used to calculate depreciation of the asset. The Group reviews the useful life and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.

Estimating useful life of right-of-use assets

The useful life of each right-of-use asset is typically the respective lease term, except where the Group is reasonably certain to exercise a purchase or lease extension option contained within the lease (if any), in which case the useful life reverts to the estimated useful life of the underlying asset.

The Group applies significant judgement to determine whether or not it is reasonably certain to exercise such purchase or extension options.

Estimating restoration costs at the end of a lease

Where a lease agreement requires the Group to restore a right-of-use asset to its original condition at the end of a lease, the Group estimates the present value of such restoration costs. This cost is included in the measurement of the right-of-use asset, which is depreciated over the relevant lease term.

Identifying intangible assets and the classification between research and development phases

The Group recognises intangible assets and must make judgements to determine whether investment activities constitute separate and identifiable assets. In addition to meeting the essential characteristics of assets, there are specific requirements for recognition and measurement of intangible assets from investment projects. Investments must be classified between Research Phase and Development Phase, with six recognition criteria to be met.

Identifying indicators of impairment

At the end of each year, the Group assesses impairment of Financial assets, Non-financial Assets, Intangible Assets, and its Investments in the Subsidiary Company by evaluating the conditions and events specific to the value of those assets that may be indicative of impairment triggers. Where an indication exists, the Group tests the asset for impairment. Where an impairment trigger exists, the Group applies significant judgement and estimate to determine the recoverable amount of the asset.

Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

Structure

4.1 Plant, equipment and vehicles
4.2 Right-of-use assets
4.3 Leasehold improvements
4.4 Depreciation and Amortisation
4.5 Intangible assets
4.6 Interests in subsidiary entity
4.7 Investments and other financial assets

Notes to the Annual Financial Report continued

4.1 Plant, equipment and vehicles

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Plant and equipment at fair value	2,659	2,659	(2,633)	(2,625)	26	34
Motor vehicles at fair value	132,269	132,269	(36,019)	(23,717)	96,250	108,552
Net carrying amount	**134,928**	**134,928**	**(38,652)**	**(26,342)**	**96,276**	**108,586**

	Plant, equipment and vehicles at fair value	
	2023 $	2022 $
Opening balance	**108,586**	**66,919**
Additions	–	132,268
Adjustment	13,730	–
Disposals	–	(58,673)
Depreciation	(26,040)	(31,928)
Closing balance	**96,276**	**108,586**

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

Initial recognition: All non-financial physical assets, are measured initially at cost and are subsequently revalued at fair value less accumulated depreciation and if applicable, impairment losses. Where an asset is acquired for no or nominal cost, the cost of the asset is its fair value at the date of acquisition.

Subsequent measurement: Plant and equipment is subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised by asset category.

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

Fair value for plant and equipment that is specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the depreciated replacement cost method.

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

There were no changes in valuation techniques throughout the reporting period.

Refer to Note 7.3 for additional information on fair value determination of plant and equipment.

Notes to the Annual Financial Report continued

4.2 Right-of-use assets

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Right-of-use asset at fair value	813,500	770,522	(356,409)	(273,092)	457,091	497,430
Net carrying amount	**813,500**	**770,522**	**(356,409)**	**(273,092)**	**457,091**	**497,430**

	Right-of-use asset	
	2023 $	2022 $
Opening balance	**497,430**	**548,786**
Depreciation	(83,317)	(77,290)
Adjustment at 30 June	42,978	25,934
Closing balance	**457,091**	**497,430**

Right-of-use asset acquired by lessees – Initial measurement

The Group recognises a right-of-use asset and a lease liability at lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets – Subsequent measurement

The Group depreciates right-of-use assets on a straight-line basis from the lease commencement dates to the earlier of the end of the useful life of each right-of-use asset or the end of each lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as property, plant and equipment.

Notes to the Annual Financial Report continued

4.3 Leasehold improvements

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Leasehold improvements	732,028	732,028	(299,235)	(226,032)	432,793	505,996
Net carrying amount	**732,028**	**732,028**	**(299,235)**	**(226,032)**	**432,793**	**505,996**

	Leasehold Improvements	
	2023 $	2022 $
Opening balance	**505,996**	**579,400**
Depreciation	(73,203)	(73,404)
Closing balance	**432,793**	**505,996**

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

Initial recognition of the cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or its estimated useful life.

4.4 Depreciation and amortisation

	Charge for the period	
	2023 $	2022 $
Plant and equipment	7	9
Motor vehicles	12,303	31,918
Leasehold improvements	73,203	73,404
Right-of-use assets	83,317	77,290
Intangible assets (amortisation)	72,262	72,262
Total depreciation	**241,092**	**254,883**

All plant and equipment, vehicles and other non-financial physical assets (excluding assets held for sale, land and investment properties) that have finite useful lives are depreciated.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

Amortisation is generally calculated on a straight-line basis at rates that allocate the intangible assets value over its estimated useful life.

Notes to the Annual Financial Report continued

Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

	Useful life (years)
Asset	
Vehicles (including leased assets)	3
Plant and equipment	4 to 5
Right-of-use asset (leased asset)	10
Leasehold improvements	10
Intangible assets	13 to 19

Estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term.

Leasehold improvements are depreciated over the shorter of the lease term and the useful life.

4.5 Intangible assets

The Group generates intangible assets as a result of development activity for investment fund projects.

The development costs of these projects are capitalised by the Group where the benefits arising from projects are expected to be realised over extended periods of time and the development costs exceed $50,000 over the life of the asset. Currently costs related to the following projects have been capitalised. In the reporting period two investment project costs were capitalised.

	Useful Life (years)	
	Full	**Remaining**
Intangible Asset Investment Project		
Primary Oilseeds	19	1
HOLL Canola	19	3
Herbicide Tolerant Barley	15	6
Herbicide Tolerant Lentils	13	2

Notes to the Annual Financial Report continued

4.5.1 Recognition

Intangible assets are initially recognised at cost when the recognition criteria in *AASB 138 Intangible Assets* are met. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

An intangible asset arising from development (or from the development phase of an internal project) is recognised in accordance with AASB 138 if, and only if, all of the following characteristics are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale
- an intention to complete the intangible asset and use or sell it
- the ability to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group assesses all active investment projects annually to determine whether any projects in the research phase require progression to the development phase. The key judgements relate to the determination of the technical feasibility of completion in order to generate probable future economic benefits as prescribed with above criteria from AASB138.

4.5.2 Amortisation

In subsequent periods intangible assets are amortised as 'expenses from transactions' on a straight-line basis over their useful lives.

	2023 $	2022 $
Amortisation of Investment Projects		
Amortisation for the period	72,262	72,262

4.5.3 Impairment of intangibles

Intangible assets are tested annually for impairment and whenever there is an indication that an asset may be impaired, an impairment charge is reflected in the Consolidated Comprehensive Operating Statement under other economic flows included in the net result.

If there is an indication in later reporting periods that there has been a reversal in impairment, the carrying amount of the asset is increased to its recoverable amount. Impairment reversals of this nature are limited to the carrying amount of the asset net of amortisation, as if no impairment loss had been recognised in prior reporting periods.

There have been no impairment charges for the reporting period.

Notes to the Annual Financial Report continued

4.5.4 Reconciliation of Movements in Carrying Amount

	Gross carrying amount		Accumulated amortisation		Net carrying amount	
	2023 $	2022 $	2023 $	2022 $	2023 $	2022 $
Primary Oilseeds	1,506,677	1,506,677	(1,506,677)	(1,473,080)	–	33,597
HOLL Canola	300,000	300,000	(263,523)	(245,523)	36,477	54,477
HT Barley	131,079	131,079	(33,404)	(16,702)	97,675	114,377
HT Lentils	15,852	15,852	(7,926)	(3,963)	7,926	11,889
Net carrying amount	**1,953,608**	**1,953,608**	**(1,811,530)**	**(1,739,268)**	**142,078**	**214,340**

	Primary Oilseeds $	HOLL Canola $	HT Barley $	HT Lentils $
Opening balance – 1 July 2021	**67,194**	**72,477**	**–**	**–**
Additions	–	–	131,079	15,852
Disposals	–	–	–	–
Amortisation	(33,597)	(18,000)	(16,702)	(3,963)
Closing balance – 30 June 2022	**33,597**	**54,477**	**114,377**	**11,889**
Opening balance – 1 July 2022	**33,597**	**54,477**	**114,377**	**11,889**
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation	(33,597)	(18,000)	(16,702)	(3,963)
Closing balance – 30 June 2023	**–**	**36,477**	**97,675**	**7,926**

Notes to the Annual Financial Report continued

4.6 Interests in subsidiary entity

	Ordinary share Entity Interest	
	2023 %	2022 %
Controlled entities		
Phytogene Pty Ltd	100	100

Phytogene Pty Ltd was incorporated on the 30th November 2001 as a wholly owned subsidiary of the Company. Phytogene was established to further develop technologies related to delayed plant senescence that have been developed through research activities undertaken by the Department.

The operating results of the entity have been included in the consolidated operating profit contained within the annual financial report.

The Company owns Phytogene share capital of $1,055,002 at 30 June 2023 (2022: $1,005,002).

The investment is measured at historical cost and there was no impairment for year ended 30 June 2023.

Please refer to Note 1.1 for the principles of consolidation.

4.7 Investments and other financial assets

	Consolidated	
	2023 $	2022 $
Current investments and other financial assets		
Term deposits ≥ three months	–	2,020,000
Total current investments and other financial assets	**–**	**2,020,000**
Non-current investments and other financial assets		
Managed investment scheme	24,450,060	21,702,788
Total non-current investments and other financial assets	**24,450,060**	**21,702,788**
Total investments and other financial assets	**24,450,060**	**23,722,788**

Term deposits (with a maturity greater than 90 days) disclosed in prior financial year that are held with Treasury Corporation Victoria (TCV) are matured in FY23 and deposited to the savings account to optimise interest revenue.

The managed investment scheme is held with Victorian Funds Management Corporation (VFMC) in its Balanced Fund. The Balanced Fund meets the Group's investment policy requirements including risk and long-term growth. The investment is recognised at fair value. The VFMC managed investment scheme is classified as non-current reflecting the Group's intention to retain this asset beyond 30 June 2023.

Notes to the Annual Financial Report continued

5. Other assets and liabilities

Introduction

This section sets out those assets and liabilities that arose from the Group's operations.

Structure

5.1 Receivables
5.2 Payables
5.3 Other non-financial assets

5.1 Receivables

	Consolidated	
	2023 $	2022 $
Current receivables		
Contractual		
Sale of services and royalties	4,690,980	1,530,972
Accrued interest income	339	7,750
Accrued distribution	312,040	1,003,358
Other receivables	6,120	44,695
Seed capital toward future subsidiary incorporation	–	115,790
Amounts owed from department	344,900	984,426
Statutory		
GST input tax credit recoverable	654,336	277,277
Total current receivables	**6,008,715**	**3,964,268**

Contractual receivables which include mainly debtors in relation to goods and services and accrued income, are classified as financial instruments and categorised as 'receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purpose.

The Group's exposure to credit risk is set out in Note 7.1.3.

The average credit period for sales of services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired.

The Group 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 are stated at the carrying amounts as indicated.

Contract assets: there are no contract assets that relate to works completed, but not yet billed at the reporting date.

Notes to the Annual Financial Report continued

5.2 Payables

	Consolidated	
	2023 $	2022 $
Current payables		
Contractual		
Supplies and services	837,583	1,302,768
Amounts payable to the department	9,248,538	9,331,556
Other payables and accrued expenses	1,927,258	640,298
Contract liabilities – unearned income [(a)]	2,132,335	641,770
Statutory		
FBT payable	–	9,071
Other taxes payable	70,526	54,000
GST payable	446,800	238,543
Total current payables	**14,663,040**	**12,218,006**

Note: *(a) unearned income represents payments received for which no services have been provided as yet.*

Payables consist of:

- **contractual payables** are classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid; and
- **statutory payables** are recognised and measured similarly to contractual payables but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days.

The terms and conditions of amounts payable to the Department vary according to various agreements with the Department related to each of the services provided.

Notes to the Annual Financial Report continued

Contract liabilities – unearned income

	Consolidated	
	2023 $	2022 $
Contract liabilities		
Opening Balance	**641,770**	**2,500,000**
Add: Payments received for performance obligations yet to be completed during the period	3,564,545	215,000
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(2,073,980)	(2,073,230)
Total contract liabilities	**2,132,335**	**641,770**
Represented by		
Current contract liabilities	**2,132,335**	**641,770**

Contract liabilities include consideration received in advance from the Department in respect of IP management and commercial services. Revenue is recognised when the relevant services are provided to the Department. The remaining revenue is recognised when the services are rendered in the following year.

Maturity analysis of contractual payables for the consolidated entity [(a)]

			Maturity dates			
	Carrying amount $	Nominal amount $	Less than 1 month $	1-3 months $	3 months – 1 year $	1+ years $
2023						
Supplies and services	837,583	837,583	795,968	41,615	–	–
Amounts payable to Department	9,248,538	9,248,538	633,989	3,375,994	3,645,963	1,592,592
Unearned income	2,132,335	2,132,335	125,335	501,750	1,505,250	–
Other payables	1,927,258	1,927,258	1,927,258	–	–	–
Total	**14,145,714**	**14,145,714**	**3,482,550**	**3,919,359**	**5,151,213**	**1,592,592**
2022						
Supplies and services	1,302,768	1,302,768	1,293,696	9,072	–	–
Amounts payable to Department	9,331,556	9,331,556	–	835,844	4,598,934	3,896,778
Unearned income	641,770	641,770	215,000	426,770	–	–
Other payables	640,298	640,298	640,298	–	–	–
Total	**11,916,392**	**11,916,392**	**2,148,994**	**1,271,686**	**4,598,934**	**3,896,778**

Note: *(a) Maturity analysis is presented using the contractual undiscounted cash flows.*

Notes to the Annual Financial Report continued

5.3 Other non-financial assets

	Consolidated	
	2023 $	2022 $
Current other assets		
Prepayments	326,834	155,840
Total current other assets	**326,834**	**155,840**

Other non-financial assets include prepayments, which represent payments made for services covering a term extending beyond that financial accounting period.

6. Financing our operations

Introduction

This section provides information on the sources of finance utilised by the Group and its consolidated entity during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Group.

This section includes disclosures of balances that are financial instruments (such as leases and cash balances). Note 7.1 provides additional, specific financial instrument disclosures.

Structure

6.1 Leases
6.2 Cash flows information and balances
6.3 Commitments for expenditure

6.1 Leases

The Group leases premises and motor vehicles. The lease contracts are typically made for fixed periods of 1-10 years with an option to renew the lease after that date. The lease for the premises is a fixed period of 10 years with an option to renew the lease after that date. The lease contract specifies base rent of $127,800 per annum and is reviewed on each anniversary of the commencement date.

Right-of-use asset is presented in note 4.2.

6.1.1 Amounts recognised in the Comprehensive Operating Statement

The following amounts are recognised in the Comprehensive Operating Statement relating to leases:

	Consolidated	
	2023 $	2022 $
Interest expense on RoU lease liabilities	33,806	37,483
Interest on lease of motor vehicles	796	(806)
Total amount recognised in the Comprehensive Operating Statement	**34,602**	**36,677**

The Group's Interest expense represents costs incurred in connection with borrowings. It includes interest on interest components of lease repayments.

The expense is recognised in the period in which it is incurred.

Notes to the Annual Financial Report *continued*

6.1.2 Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2023 relating to leases:

	Consolidated	
	2023 $	2022 $
Repayment of principal portion of lease liabilities	105,138	94,867
Total cash outflow for leases	**105,138**	**94,867**

Treatment of Leased Assets

The Group considers whether any contracts for the acquisition of assets contain leases. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and for which the supplier does not have substantive substitution rights;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and the Company has the right to direct the use of the identified asset throughout the period of use; and
- the Group has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Recognition and measurement of leases as a lessee

Lease Liability – initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the DTF incremental borrowing rate.

Lease Liability – subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

Presentation of right-of-use assets and lease liabilities

The Group presents right-of-use assets as independent assets in the balance sheet and lease liabilities are presented as 'borrowings' in the balance sheet.

Notes to the Annual Financial Report continued

6.1.3 Leases of motor vehicles

	Consolidated 2023 $	2022 $
Current borrowings		
Lease liabilities – motor vehicles [(a)]	5,566	5,441
Total current borrowings	**5,566**	**5,441**
Non-current borrowings		
Lease liabilities – motor vehicles	26,861	32,427
Total non-current borrowings	**26,861**	**32,427**
Total borrowings	**32,427**	**37,868**

Notes: *(a) Secured by the assets leased. Leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.*

Leases are classified as financial instruments.

The measurement basis subsequent to initial recognition depends on whether the Group has categorised its interest-bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'.

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

Defaults and breaches: During the current and prior year, there were no defaults and breaches of any of the leases.

	Minimum future lease payments [(a)]		Present value of minimum future lease payments	
	2023 $	2022 $	2023 $	2022 $
Lease liabilities payable – motor vehicles [(b)]				
Not longer than 1 year	6,238	6,238	6,238	6,238
Longer than 1 year but not longer than 2 years	27,104	6,238	27,104	6,238
Longer than 2 years	–	27,104	–	27,104
Minimum future lease payments				
Less future finance charges	(915)	(1,712)	(915)	(1,712)
Present value of minimum lease payments	32,427	37,868	32,427	37,868
Included in the annual financial report as:				
Current borrowings lease liabilities (Note 6.1)			5,566	5,441
Non-current borrowings lease liabilities (Note 6.1)			26,861	32,427
Total			**32,427**	**37,868**

Notes: *(a) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.*
(b) Leases relate to motor vehicles with a lease term of 3 years.

Notes to the Annual Financial Report continued

At the commencement of the lease term, leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum lease payments are apportioned between the reduction of the outstanding lease liability and the periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

6.1.4 Leases Right-of-use Assets

The consolidated entity leases premises for the use of office space. The lease contract is a fixed period of 10 years with an option to renew the lease after that date. The lease contract specifies base rent per annum and is reviewed on each anniversary of the commencement date. The consolidated entity leases IT equipment with contract terms of five years. These leases are leases of low value items. The entity has elected not to recognise right-of-use assets and lease liabilities for these leases due to the small values involved.

Right-of-use asset is presented in note 4.2.

	Consolidated	
	2023 $	2022 $
Current		
Lease liabilities – RoU Assets	141,950	100,715
Total current liabilities	**141,950**	**100,715**
Non-current borrowings		
Lease liabilities – RoU Assets	525,637	629,032
Total non-current liabilities	**525,637**	**629,032**
Total liabilities for RoU Assets	**667,587**	**729,747**

Notes to the Annual Financial Report continued

6.2 Cash flows information and balances

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

For cash flow statement presentation purposes, cash and cash equivalents as indicated in the reconciliation below.

	Consolidated	
	2023 $	2022 $
Cash at bank and on hand	22,869,623	17,218,603
Deposits at call	102,991	100,343
Deposits ≤ 90 days	–	2,020,000
Balance as per cash flow statement	**22,972,614**	**19,338,946**

6.2.1 Reconciliation of net result for the period to cash flows from operating activities

	Consolidated	
	2023 $	2022 $
Net result for the period	**3,890,802**	**(339,005)**
Non cash movements		
Depreciation and amortisation of non-current assets	241,092	254,883
Net (Gain)/Loss on disposal of plant and equipment	–	(63,758)
Net (Gain)/Loss on Financial Instruments	(1,486,881)	2,848,568
Movements in assets and liabilities		
(Increase)/decrease in receivables	(2,044,446)	(150,448)
Increase/(decrease) in payables	2,445,033	(5,602,229)
Increase/(decrease) in provisions	110,032	160,281
(Increase)/decrease in intangible assets	–	(146,932)
Increase/(decrease) in prepayments	(170,995)	(125,318)
Net cash flows from / (used in) operating activities	**2,984,637**	**(3,163,958)**

Notes to the Annual Financial Report continued

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

a) Research expenditure and operating lease commitments

	2023		
	Less than 1 year	1-5 years	Total
	$	$	$
Research expenditure commitments payable	55,000	–	55,000
Total commitments (inclusive of GST)	**55,000**	**–**	**55,000**
Less GST recoverable	(5,000)	–	(5,000)
Total commitments (exclusive of GST)	**50,000**	**–**	**50,000**

	2022		
	Less than 1 year	1-5 years	Total
	$	$	$
Research expenditure commitments payable	165,000	–	165,000
Total commitments (inclusive of GST)	**165,000**	**–**	**165,000**
Less GST recoverable	(15,000)	–	(15,000)
Total commitments (exclusive of GST)	**150,000**	**–**	**150,000**

Research expenditure commitments represent investment in research activities of the Department where the Group acquires an interest in future outcomes from new technology commercialisation.

b) Capital commitments

There are no capital commitments as at 30 June 2023 (2022:nil).

Notes to the Annual Financial Report continued

7. Risks, contingencies and valuation judgements

Introduction

The Group is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the annual financial report. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Group relate mainly to fair value determination.

Structure

7.1 Financial instruments specific disclosures

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Categories of financial instruments

Financial assets at amortised cost

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

- the assets are held by the Group to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interest.

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

The Group recognises the following assets in this category:

- cash and deposits
- receivables (excluding GST input tax credit receivable)
- managed funds, and
- term deposits.

Financial liabilities at amortised cost

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

The Group recognises the following liabilities in this category:

- payables (excluding GST payables); and
- lease liabilities.

Financial assets and liabilities at fair value through net result

Financial assets and liabilities are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition.

Financial instrument assets are designated at fair value through profit or loss on the basis that they are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through net result are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. The Group recognises foreign exchange gains and losses arising from receivables and payables in this category.

Notes to the Annual Financial Report continued

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

- the rights to receive cash flows from the asset have expired
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement
- the Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset
  - has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

Reclassification of financial instruments: Subsequent to initial recognition, reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the Group's business model for managing its financial assets has changed such that its previous model would no longer apply.

If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

Notes to the Annual Financial Report continued

7.1.1 Financial instruments: Categorisation

	2023					2022				
	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Financial assets/ liabilities at fair value through profit/ loss (FVTPL)	Total	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Financial assets/ liabilities at fair value through profit/ loss (FVTPL)	Total
	$	$	$		$	$	$	$		$
Contractual financial assets										
Cash and deposits										
Cash and deposits	22,972,614	–	–	–	22,972,614	19,338,946	–	–	–	19,338,946
Investments and other financial assets	–	–	–	24,450,060	24,450,060	–	–	–	23,722,788	23,722,788
Receivables [(a)]										
Sale of services and royalties	–	4,690,980	–	–	4,690,980	–	1,530,973	–	–	1,530,973
Accrued interest income	–	339	–	–	339	–	7,750	–	–	7,750
Accrued distribution from VFMC	–	312,040	–	–	312,040	–	1,003,358	–	–	1,003,358
Other receivables	–	6,120	–	–	6,120	–	44,695	–	–	44,695
Seed capital future Subsidiary incorporation	–	–	–	–	–		115,790	–	–	115,790
Amounts owed from the Department	–	344,900	–	–	344,900	–	984,426	–	–	984,426
Total contractual financial assets	**22,972,614**	**5,354,379**	**–**	**24,450,060**	**52,777,053**	**19,338,946**	**3,686,992**	**–**	**23,722,788**	**46,748,726**
Contractual financial liabilities										
Payables [(a)]										
Supplies and services	–	–	837,583	–	837,583	–	–	1,302,768	–	1,302,768
Amounts payable to the Department	–	–	9,248,538	–	9,248,538	–	–	9,331,556	–	9,331,556
Other payables	–	–	1,927,258	–	1,927,258	–	–	640,298	–	640,298
Contract liabilities	–	–	2,132,335	–	2,132,335	–	–	641,770	–	641,770
Borrowings										
Lease liabilities – Motor Vehicles	–	–	32,427	–	32,427	–	–	37,868	–	37,868
Lease liabilities – RoU Assets	–	–	667,587	–	667,587	–	–	729,747	–	729,747
Total contractual financial liabilities	**–**	**–**	**14,845,728**	**–**	**14,845,728**	**–**	**–**	**12,684,007**	**–**	**12,684,007**

Note: *(a) The carrying amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable and GST payables).*

Notes to the Annual Financial Report continued

7.1.2 Financial instruments – Net holding gain/(loss) on financial instruments by category

	2023				
	Net holding gain/(loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
Contractual financial assets					
Investments recognised at fair value through profit/(loss)	1,486,881	–	–	–	1,486,881
Total contractual financial assets	**1,486,881**	**–**	**–**	**–**	**1,486,881**
Contractual financial liabilities					
Financial liabilities at amortised cost	(183)	–	–	–	(183)
Total contractual financial liabilities	**(183)**	**–**	**–**	**–**	**(183)**

	2022				
	Net holding gain/(loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
Contractual financial assets					
Investments recognised at fair value through profit/(loss)	(2,848,568)	–	–	–	(2,848,568)
Total contractual financial assets	**(2,848,568)**	**–**	**–**	**–**	**(2,848,568)**
Contractual financial liabilities					
Financial liabilities at amortised cost	(4,640)	–	–	–	(4,640)
Total contractual financial liabilities	**(4,640)**	**–**	**–**	**–**	**(4,640)**

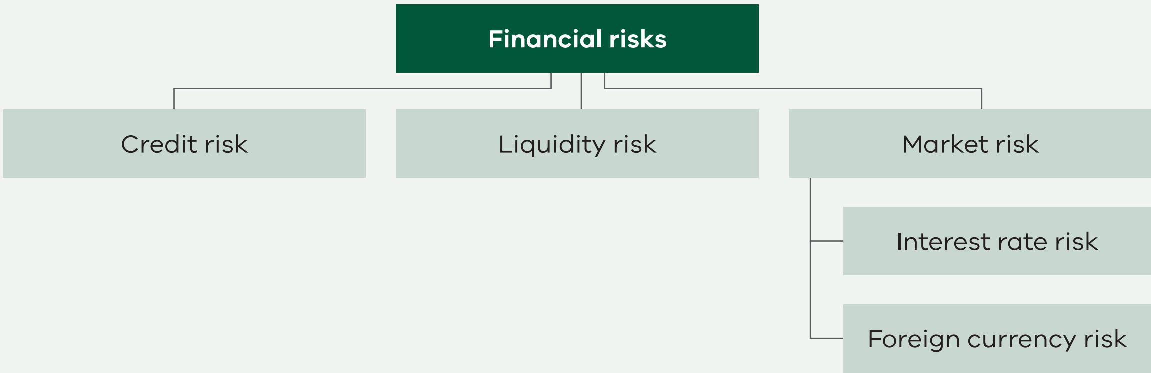
Note: *Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.*

The net holding gains or losses disclosed above are determined as follows:

- for cash and cash equivalents that are classified as financial assets at fair value through other comprehensive income, the net gain or loss is calculated by taking the movement in the fair value of the asset and the interest income arising from revaluation of the financial assets, and minus any impairment recognised in the net result;
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost;
- for financial assets and liabilities that are mandatorily measured at or designated at fair value through net result the net gain or loss is the movement in the fair value of the financial asset or liability.

Notes to the Annual Financial Report continued

7.1.3 Financial risk management objectives and policies



As a whole, the Group's financial risk management program seeks to manage these risks and the associated impact on the volatility of its financial performance.

Details of the significant accounting policies and methods adopted for fair value measurement, 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 above are disclosed in Note 7.3 to the annual financial report.

The Group's main financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group manages these financial risks in accordance with its financial risk management policy.

The Group uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the management of the Group.

Financial instruments: Credit risk

Credit risk refers to the possibility that a customer will default on its financial obligations as and when they fall due. The Company's exposure to credit risk arises from the potential default of counter parties on their contractual obligations resulting in financial loss to the Group. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the contractual financial assets is minimal because it is the Group's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. The Group does not have a material credit risk exposure to any single debtor or group of debtors.

In addition, the Group does not engage in hedging of credit risk for its contractual financial assets because they are fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Group's policy is to only deal with financial institutions with high credit ratings. The Group's investment in managed funds is with VFMC, a Victorian government entity.

Provision for impairment of contractual financial assets is recognised when there is objective evidence that the Group will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments and changes in debtor credit ratings.

The Group'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 7.1.

There has been no material change to the consolidated entity's credit risk profile in 2022-23.

Notes to the Annual Financial Report continued

Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The Group operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days from the date of resolution.

It also continuously manages liquidity risk through monitoring future cash flows and maturities planning to ensure adequate holdings of high quality liquid assets and dealing in highly liquid markets.

The Group is exposed to liquidity risk mainly through its financial liabilities as disclosed on the face of the balance sheet. The Group's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Funding of cash requirements for unexpected events is generally sourced from cash and cash equivalents.

Financial instruments: Market risk

The consolidated entity's exposures to market risk are primarily through interest rate risk, equity price risk and foreign currency risk.

Sensitivity disclosure analysis and assumptions

The consolidated entity's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. Sensitivity analyses shown are for illustrative purposes only. The following movements are 'reasonably possible' over the next 12 months:

- a movement of 100 basis points up and down in market interest rates (AUD);
- a movement of 15 per cent up and down (2022: 10 per cent) for the top ASX 200 index.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company manages this risk by arranging fixed rate or non-interest-bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments held at floating rates.

Management has concluded that for cash at bank it is appropriate to monitor movement in interest rates on a daily basis in order to avoid unfavourable changes in credit rate risk.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Company's sensitivity to interest rate risk are set out in the table on the next page.

Notes to the Annual Financial Report continued

Interest rate exposure of financial instruments for the consolidated entity 2023

	2023				
	Weighted average interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
	%	$	$	$	$
Financial assets					
Cash and deposits					
Cash at bank	3.70	22,869,623	–	22,869,623	–
Deposits at call	2.88	102,991	102,991	–	–
Deposits < 90 days	1.16	–	–	–	–
Investment and other financial assets	1.37	24,450,060	–	24,450,060	–
Receivables [(a)]					
Sale of services and royalties	–	4,690,980	–	–	4,690,980
Accrued interest income	–	339	–	–	339
Accrued distribution income (VFMC)	–	312,040	–	–	312,040
Other receivables	–	6,120	–	–	6,120
Amounts owed from the Department	–	344,900	–	–	344,900
Total financial assets		**52,777,053**	**102,991**	**47,319,683**	**5,354,379**
Financial liabilities					
Payables [(a)]					
Supplies and services	–	837,583	–	–	837,583
Amounts payable to the Department	–	9,248,538	–	–	9,248,538
Other payables	–	1,927,258	–	–	1,927,258
Contract liabilities	–	2,132,335			2,132,335
Borrowings					
Lease liabilities – Motor Vehicles	3.25	32,427	32,427	–	–
Lease liabilities – RoU Assets	4.91	667,587	667,587	–	–
Total financial liabilities		**14,845,728**	**700,014**	**–**	**14,145,714**

Note: *(a) The carrying amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable and GST payables).*

Notes to the Annual Financial Report continued

Interest rate exposure of financial instruments for the consolidated entity 2022

	2022				
	Weighted average interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non-interest bearing
	%	$	$	$	$
Financial assets					
Cash and deposits					
Cash at bank	0.85	17,218,603	–	17,218,603	–
Deposits at call	0.05	100,343	–	100,343	–
Deposits < 90 days	0.88	2,020,000	2,020,000	–	–
Investment and other financial assets	1.04	23,722,788	2,020,000	21,702,788	–
Receivables [(a)]					
Sale of services and royalties	–	1,530,973	–	–	1,530,973
Accrued interest income	–	7,750	–	–	7,750
Accrued distribution income (VFMC)	–	1,003,358	–	–	1,003,358
Other receivables	–	44,695	–	–	44,695
Seed capital future subsidiary incorporation	–	115,790			115,790
Amounts owed from the Department	–	984,426	–	–	984,426
Total financial assets		**46,748,726**	**4,040,000**	**39,021,734**	**3,686,992**
Financial liabilities					
Payables [(a)]					
Supplies and services	–	1,302,768	–	–	1,302,768
Amounts payable to the Department	–	9,331,556	–	–	9,331,556
Other payables	–	640,298	–	–	640,298
Contract liabilities	–	641,770	–	–	641,770
Borrowings					
Lease liabilities – Motor Vehicles	3.25	37,868	37,868	–	–
Lease liabilities – RoU Assets	4.91	729,747	729,747	–	–
Total financial liabilities		**12,684,007**	**767,615**	**–**	**11,916,392**

***Note**: (a) The carrying amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable and GST payables).*

Notes to the Annual Financial Report continued

Interest rate risk sensitivity for the consolidated entity

	2023		
	Carrying amount	-100 basis points Net result	+100 basis points Net result
Financial assets			
Cash and deposits			
Cash at bank	22,869,623	(228,696)	228,696
Deposits at call	102,991	(1,030)	1,030
Total impact	**22,972,614**	**(229,726)**	**229,726**

	2022		
	Carrying amount	-100 basis points Net result	+100 basis points Net result
Financial assets			
Cash and deposits			
Cash at bank	17,218,603	(172,186)	172,186
Deposits at call	100,343	(1,003)	1,003
Term deposits ≤ 90 days	2,020,000	(20,200)	20,200
Term deposits ≥ 90 days	2,020,000	(20,200)	20,200
Total impact	**21,358,946**	**(213,589)**	**213,589**

Note: *The carrying amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable and GST payables).*

Foreign currency risk

All foreign currency transactions during the financial year were brought to account using the exchange rate in effect at the date of each transaction.

The consolidated entity is exposed to foreign currency risk mainly through its receivables relating to the royalties from overseas licensees, and payables relating to purchases of services from overseas. The consolidated entity has limited transactions denominated in foreign currencies and there is a relatively short timeframe between commitment and settlement, therefore risk is minimal.

The consolidated entity exposures are mainly against the US dollar (USD) and are managed through continuous monitoring of movements in exchange rates against the USD, and by ensuring availability of funds through rigorous cash flow planning and monitoring. Based on past and current assessment of economic outlook, it is deemed unnecessary for the consolidated entity to enter into any hedging arrangements to manage the risk.

The Group's receivables and payables are not exposed to foreign currency movements in 2023. (2022: nil).

Notes to the Annual Financial Report continued

Equity price risk

The consolidated entity is exposed to equity price risk through its investments in the VFMC Balanced Fund Investment. The sensitivity to equity price risk movement is set out below:

		2023	
	Carrying amount	-15% Net result	+15% Net result
Financial assets			
VFMC managed funds	24,450,060	(3,667,509)	3,667,509
Total impact	**24,450,060**	**(3,667,509)**	**3,667,509**

		2022	
	Carrying amount	-10% Net result	+10% Net result
Financial assets			
VFMC managed funds	21,702,788	(2,170,279)	2,170,279
Total impact	**21,702,788**	**(2,170,279)**	**2,170,279**

7.2 Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

The Group provides a Bank Guarantee in the sum of $35,000 to Plenary Research Pty Ltd (the Landlord of its leased premises) under a lease agreement which secures the Landlord against loss or damage resulting from an event or default.

There are no contingent assets and liabilities as at 30 June 2023. (2022: Nil)

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities.

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Group. This section sets out information on the determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes. The Group determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Notes to the Annual Financial Report continued

Fair value hierarchy

In determining fair values a number of inputs are used. To increase consistency and comparability in the annual financial report, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are 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.

No transfers between Levels was required during the 2022-23 financial year. (2021-22: Nil)

7.3.1 Fair value determination of financial assets and liabilities

The Group currently holds a range of financial instruments that are recorded in the annual financial report where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2023-24 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits Receivables: • Sale of services and royalties • Accrued interest income • Other receivables • Other financial assets Investments and other contractual financial assets: • Term deposits • VFMC balance fund	Payables: • Supplies and services • Amounts payable to the Department • Other payables Borrowings: • Lease liabilities

7.3.2 Fair value determination of non-financial assets

The Property Plant and Equipment of the Group are short-life assets which are not periodically revalued as the depreciated cost is considered to represent fair value.

8. Other disclosures

Introduction

This section includes additional material disclosures required by the Australian Accounting Standards for the understanding of this annual financial report.

8.1 Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include:

- revaluation of the present value of the long service leave liability due to changes in the bond interest rates;
- revaluation of financial instruments held at balance date 30 June 2023, refer note 7.1 Financial instruments specific disclosures;
- reversal of an asset impairment; and
- transfer of amounts from reserves to accumulated surplus or net result due to a disposal or derecognition or reclassification.

Notes to the Annual Financial Report continued

	2023 $	2022 $
Net gain/(loss) on non-financial instruments		
Net gain/(loss) on disposal of motor vehicles	–	62,828
Net gain/(loss) on financial instruments		
Net Gain / (Loss) on Financial Instruments	1,486,881	(2,848,568)
Net FX gain/(loss) arising from foreign cash and transaction	(183)	(4,640)
Total net gain/(loss) on financial instruments [a]	**1,486,698**	**(2,853,208)**
Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability [b]	(20,480)	39,431
Total other economic flows included in net result	**1,466,218**	**(2,750,949)**

Notes: *(a) 'Net gain/(loss) on financial instruments' includes bad and doubtful debts from other economic flows, unrealised and realised gains/(losses) from revaluations, impairments and reversals of impairment, and gains/(losses) from disposals of financial instruments, except when these are taken through the financial assets available for sale revaluation surplus.*

b) Revaluation gain/(loss) due to changes in bond rates.

8.2 Responsible persons

The following disclosures are made regarding responsible persons for the reporting period.

Responsible Minister

The person who held the position of responsible minister is the Minister for Agriculture, the Hon. Gayle Tierney MP was Minister from 1 July 2022 to 30 June 2023.

Remuneration of responsible minister

No remuneration is paid by the Group to the responsible Minister.

The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the Department of Parliamentary Services' Financial Report.

Responsible Persons

The persons who held the positions of directors and the accountable officer in the Group during the financial year are as follows:

Ms S. Andersen (AVS Chair)	1 July 2022 to 30 June 2023
Dr A Caples (AVS Director)	1 July 2022 to 30 June 2023
Ms JE Perrier (AVS Director)	1 July 2022 to 30 June 2023
Dr JM Tennent (AVS Director)	1 July 2022 to 30 June 2023
Mr RA Jagger (AVS Director)	1 July 2022 to 30 June 2023
Dr R. Aldous (AVS Director and Phytogene Chair)	1 July 2022 to 30 June 2023
Prof. G. Spangenberg (Phytogene Director)	1 July 2022 to 28 February 2023
A/Prof. Matthew Hayden (Phytogene Director)	1 May 2023 to 30 June 2023
Mr D. Liesegang (AVS CEO and Phytogene EO)	1 July 2022 to 30 June 2023

Notes to the Annual Financial Report continued

Remuneration of directors and accountable officers

Remuneration received or receivable by each director of the Board in connection with the management of the Company during the reporting period was in the range: 4 directors $20,000 to $30,000 and 1 director $30,000 – $40,000 (2022: 4 directors $20,000 – $30,000 and 1 director $30,000 – $40,000).

No remuneration is paid by the group to the one director employed by the Victorian Public Service.

Remuneration received or receivable by the accountable officer in connection with management of the group during reporting period was in the range: $320,000 to $330,000 (2022: $300,000 to $310,000).

No director or the accountable officer, since the end of the previous financial year, received or became entitled to receive a benefit other than benefits disclosed in the annual financial report.

8.3 Remuneration of executives

The number of executive officers, other than directors, the accountable officer and the responsible minister, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration of executives comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis and bonus.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

	Total remuneration	
	2023 $	2022 $
Remuneration of executive officers		
Short-term employee benefits	454,686	319,472
Post-employment benefits	47,742	25,388
Other long-term benefits	91,629	2,561
Termination Benefits	–	42,010
Total remuneration [(a)]	**594,057**	**389,431**
Total number of executives	**2**	**3**
Total annualised employee equivalents [(b)]	**2**	**2**

Notes: *(a) These executive officers are not considered to meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures. Accordingly, they are not reported within the related parties note disclosure (Note 8.4).*
(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

Notes to the Annual Financial Report continued

8.4 Related parties

The Group's related parties include its key management personnel and related entities as described below.

All related party transactions have been entered into on an arm's length basis. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

Subsidiary

The wholly owned subsidiary, Phytogene Pty Ltd, has been consolidated into the Group's annual financial report.

Key management personnel

The Company is incorporated under the *Corporations Act 2001* and therefore key management personnel of the Group are limited to the directors and the accountable officer of the Company and its subsidiary, namely

Ms S. Andersen (AVS Chair)	1 July 2022 to 30 June 2023
Dr A Caples (AVS Director)	1 July 2022 to 30 June 2023
Ms JE Perrier (AVS Director)	1 July 2022 to 30 June 2023
Dr JM Tennent (AVS Director)	1 July 2022 to 30 June 2023
Mr RA Jagger (AVS Director)	1 July 2022 to 30 June 2023
Dr R. Aldous (AVS Director and Phytogene Chair)	1 July 2022 to 30 June 2023
Prof. G. Spangenberg (Phytogene Director)	1 July 2022 to 28 February 2023
A/Prof. Matthew Hayden (Phytogene Director)	1 May 2023 to 30 June 2023
Mr D. Liesegang (AVS CEO and Phytogene EO)	1 July 2022 to 30 June 2023

	Consolidated	
	2023 $	2022 $
Compensation of KMPs		
Short-term employee benefits	415,928	414,063
Post-employment benefits	37,314	34,518
Other long-term benefits	102,113	106,288
Total remuneration (a) (b) (c) (d)	**555,355**	**554,869**

Note: *(a) The remuneration paid to directors and the accountable officer is discussed in Note 8.2.*
(b) No remuneration paid to directors of subsidiary.
(c) No remuneration paid to the two directors employed by Victorian Public Service.
(d) Executive remuneration, excluding the accountable officer, is disclosed in Note 8.3. Executives in Note 8.3 are not considered to be KMP

Notes to the Annual Financial Report continued

Transactions and balances with key management personnel and other related parties

The Group's employment processes are based on terms and conditions consistent with the *Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes are based on terms and conditions consistent with the Victorian Government Procurement Board requirements.

There were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

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 annual financial report, 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.

8.5 Significant commercial transactions with the State of Victoria

While the Group is a *Corporations Act 2001* entity, it is beneficially owned by the State of Victoria and therefore significant commercial transactions with the State are provided in this note for improved disclosure purposes.

For the year ended 30 June 2023 the Victorian Government's Department of Energy, Environment and Climate Action (DEECA) was the major supplier and customer of services to the Group. 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	
	2023 $	**2022 $**
Revenues		
Received from the Department	3,609,045	815,000
Received from wholly owned controlled entities	6,270	–
Expenses		
Paid to the Department	10,023,040	13,202,880
Receivables		
Receivable from the Department	344,900	984,426
Payables		
Payable to the Department	9,248,538	9,331,557

Notes to the Annual Financial Report continued

8.6 Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated annual financial report. Refer to notes for a summary of the significant accounting policies relating to the Group.

Investments in subsidiary

Investments in subsidiary are accounted for at cost. No dividends have been received or are planned for distributed.

Parent Entity Balance Sheet	2023 $	2022 $
Assets		
Financial assets		
Cash and deposits	22,761,079	19,131,550
Receivables	6,007,461	3,964,127
Other financial assets	1,055,002	1,055,002
Investments	24,450,060	23,702,788
Total financial assets	**54,273,602**	**47,853,467**
Non-financial assets		
Plant, equipment and motor vehicle	96,276	108,586
Intangible assets	142,078	214,340
Right-of-use assets	457,091	497,430
Leasehold Improvements in progress	432,793	505,996
Other non-financial assets	326,834	155,840
Total non-financial assets	**1,455,072**	**1,482,192**
Total assets	**55,728,674**	**49,335,659**
Liabilities		
Payables	14,653,494	12,208,511
Borrowings	32,427	37,868
Right-of-use liability	667,587	729,747
Employee related provisions	738,727	628,695
Total liabilities	**16,092,235**	**13,604,821**
Net assets	**39,636,439**	**35,730,838**
Equity		
Accumulated surplus	34,636,439	30,730,838
Contributed capital	5,000,000	5,000,000
Net worth	**39,636,439**	**35,730,838**

Notes to the Annual Financial Report continued

Parent Entity Profit and Loss Statement	2023 $	2022 $
Net result from transactions (net operating balance)	2,439,383	2,429,449
Other economic flows included in net result	1,466,218	(2,750,949)
Total Comprehensive result	**3,905,601**	**(321,500)**

Contingent Assets and Liabilities of the parent entity

The parent entity provides a Bank Guarantee in the sum of $35,000 to Plenary Research Pty Ltd (the Landlord of its leased premises) under a lease agreement which secures the Landlord against loss or damage resulting from an event or default.

There are no contingent assets and liabilities as at 30 June 2023. (2022: nil)

Capital Commitments of the parent entity

There are no capital commitments as at 30 June 2023. (2022: nil)

Share Capital

5,000,000 fully paid ordinary shares $5,000,000 in 2023. (2022: $5,000,000)

8.7 Remuneration of auditors

	Consolidated	
	2023 $	2022 $
Victorian Auditor General's Office		
Audit the annual financial report	43,000	41,960
HLB Mann Judd Pty Ltd		
Internal Audit Services	18,260	30,089
Other non-audit services [(a)]	–	–
Total remuneration of auditors	**61,260**	**72,049**

Note: *(a) The Victorian Auditor-General's Office is not permitted to provide non-audit services.*

Notes to the Annual Financial Report continued

8.8 Subsequent events

In the interval between the end of the financial year and the date of this report, the AVS subsidiary, Phytogene, was advised of results of research by the licensee of one if its technologies indicating that further testing is required. The additional time required to undertake the research may impact future revenues from the technology. Based on information currently available there is no material impact on the financial position of the AVS Group and its subsidiary Phytogene.

Except for the matter disclosed above, there are no other matters and/or circumstances that have arisen since the end of the reporting period which significantly affect or may significantly affect the operations of the Company.

8.9 Other accounting policies and presentation of the annual financial report

Contributions by owners

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

Additions to net assets that have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions to or distributions by owners have also been designated as contributions by owners.

Foreign currency balances / transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items existing at the end of the reporting period are translated at the closing rate at the date of the end of the reporting period.

Foreign currency translation differences are recognised in other economic flows in the consolidated comprehensive operating statement and accumulated in a separate component of equity, in the period in which they arise.

Comprehensive operating statement

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

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals of non-financial assets; revaluations and impairments of non-financial physical and intangible assets and re-measurement arising from defined benefit superannuation plans.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of the annual financial report*.

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

Balance Sheet

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

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

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

Cash Flow Statement

Cash flows are classified as operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

Notes to the Annual Financial Report continued

Statement of Changes in Equity

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

Accounting for goods and services tax

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

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

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

Income tax

Agriculture Victoria Services Pty Ltd is a company wholly owned by the State Government of Victoria. The company and its controlled entities are exempt from income tax under Section 24AO *Income Tax Assessment Act* and as such does not adopt tax effect accounting.

Compliance information

The general-purpose annual financial report have been prepared in accordance with the *Corporations Act 2001* and applicable Australian Accounting Standards (AASs) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). AASs include Australian equivalents to International Financial Reporting Standards.

8.10 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued and are not effective for the 2022-23 reporting period. These accounting standards have not been applied to the Group's Financial Statements.

AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.

AASB 2022-10 amends *AASB 13 Fair Value Measurement* by adding authoritative implementation guidance and illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.

This Standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted. The modifications are limited to fair value measurements of non-financial assets not held primarily for their ability to generate net cash inflows.

The Group's current use of all its non-financial assets is at its high and best use at the measurement date. The non-financial assets not held primarily for their ability to generate net cash inflows are measured at cost approach. Therefore, this standard does not impact the financial statements.

AASB 17 *Insurance Contracts*, AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* and AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector*.

AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts* for not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2026.

Notes to the Annual Financial Report continued

AASB 2022-9 amends AASB 17 to make public sector-related modifications (for example, it specifies the pre-requisites, indicators and other considerations in identifying arrangements that fall within the scope of AASB 17 in a public sector context). This Standard applies for annual reporting periods beginning on or after 1 July 2026.

AASB 2022-8 makes consequential amendments to other Australian Accounting Standards so that public sector entities are permitted to continue to apply AASB 4 and AASB 1023 to annual periods before 1 July 2026. This Standard applies for annual reporting periods beginning on or after 1 January 2023.

AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants.

AASB 2020-1 amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

AASB 2020-6 subsequently amended AASB 2020-1, deferring the mandatory effective date of AASB 2020-1 from 1 January 2022 to 1 January 2023. AASB 2022-6 was applicable for annual reporting periods beginning on or after 1 January 2023.

AASB 2022-6 amends and clarifies the requirements contained in AASB 2020-1. Among other things, it:

- clarifies that only those covenants that an entity must comply with at or before the reporting date affect a liability's classification as current or non-current; and
- requires additional disclosures for non-current liabilities that are subject to an entity complying with covenants within twelve months after the reporting date.

The amendments affect non-current liabilities with covenants. The Group's non-current liabilities does not have covenants at or before the reporting date that affect their classification as current or non-current.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have no impact on the Company's financial statements in the period of initial application.

8.11 Glossary of technical term

The following is a summary of the major technical terms used in this financial report.

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

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

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

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

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

Notes to the Annual Financial Report continued

Financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual 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 is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

(a) a contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is:

- a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements comprise:

(a) balance sheet as at the end of the period;

(b) a comprehensive operating statement for the period;

(c) a statement of changes in equity for the period;

(d) a cash flow statement for the period;

(e) notes, comprising a summary of significant accounting policies and other explanatory information;

(f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*;

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net financial liabilities is calculated as liabilities less financial assets.

Notes to the Annual Financial Report continued

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

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

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

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

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

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

Payables includes short and long-term trade debt and accounts payable, taxes and interest payable.

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

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

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

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

Supplies and services generally represent the day to day running costs, including maintenance costs, incurred in the normal operations of the Group.

Appendix 1: Acronyms and glossary of terms

Term	Meaning
AVS	Agriculture Victoria Services Pty Ltd
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ATO	Australian Taxation Office
AVR	Agriculture Victoria Research branch of DEECA
ARMC	Audit and Risk Management Committee
BET	Biomass Enhancement Technology
CRC	Cooperative Research Centre
Department or DJPR or DEECA	The State of Victoria's Department of Jobs, Precincts and Regions or The State of Victoria's Department of Energy, Environment and Climate Action
DTF	Department of Treasury and Finance
Fungal endophyte	A fungus that lives within a plant, is naturally occurring and lives harmoniously with the host plant.
Genome editing (or 'gene editing')	Genome editing is a precision breeding method that involves targeting changes to an organism's own DNA sequence by guiding the organism's DNA repair mechanism to make targeted modifications to the genome.
Genome modification (or 'GM')	Genetic modification is a breeding method that involves the addition of a gene construct into an organism's own DNA sequence.
Genomic selection	A breeding method that provides a simple, accelerated and inexpensive approach to dissecting complex traits and estimating the breeding values of plants and animals.
GST	Goods and Services Tax
HOLL	High Oleic, Low Linolenic

Term	Meaning
HT	Herbicide Tolerant
IBAC	Independent Broad-based Anti-Corruption Commission
ICT	Information and Communications Technology
IP	Intellectual Property
LXR®	Delayed plant leaf senescence technology. Pronounced 'Elixir'.
NPV	Net Present Value
OHV	Optimal Haploid Value. OHV is a technology to help select optimal parental lines and accelerate plant breeding across many crops. The technology enables prediction of a plant's potential to produce an elite doubled haploid based on genome analysis and represents a significant improvement over genomic selection.
PBR	Plant Breeder's Rights. PBRs are exclusive commercial rights for a registered variety of plant. The rights are a form of intellectual property, like patents and trade marks, and are administered under the *Plant Breeder's Rights Act 1994*.
Phytogene	Phytogene Pty Ltd
Trait	A characteristic of an organism (such as disease resistance in crops or fertility in cows).
VFMC	Victorian Funds Management Corporation
VGRMF	Victorian Government Risk Management Framework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