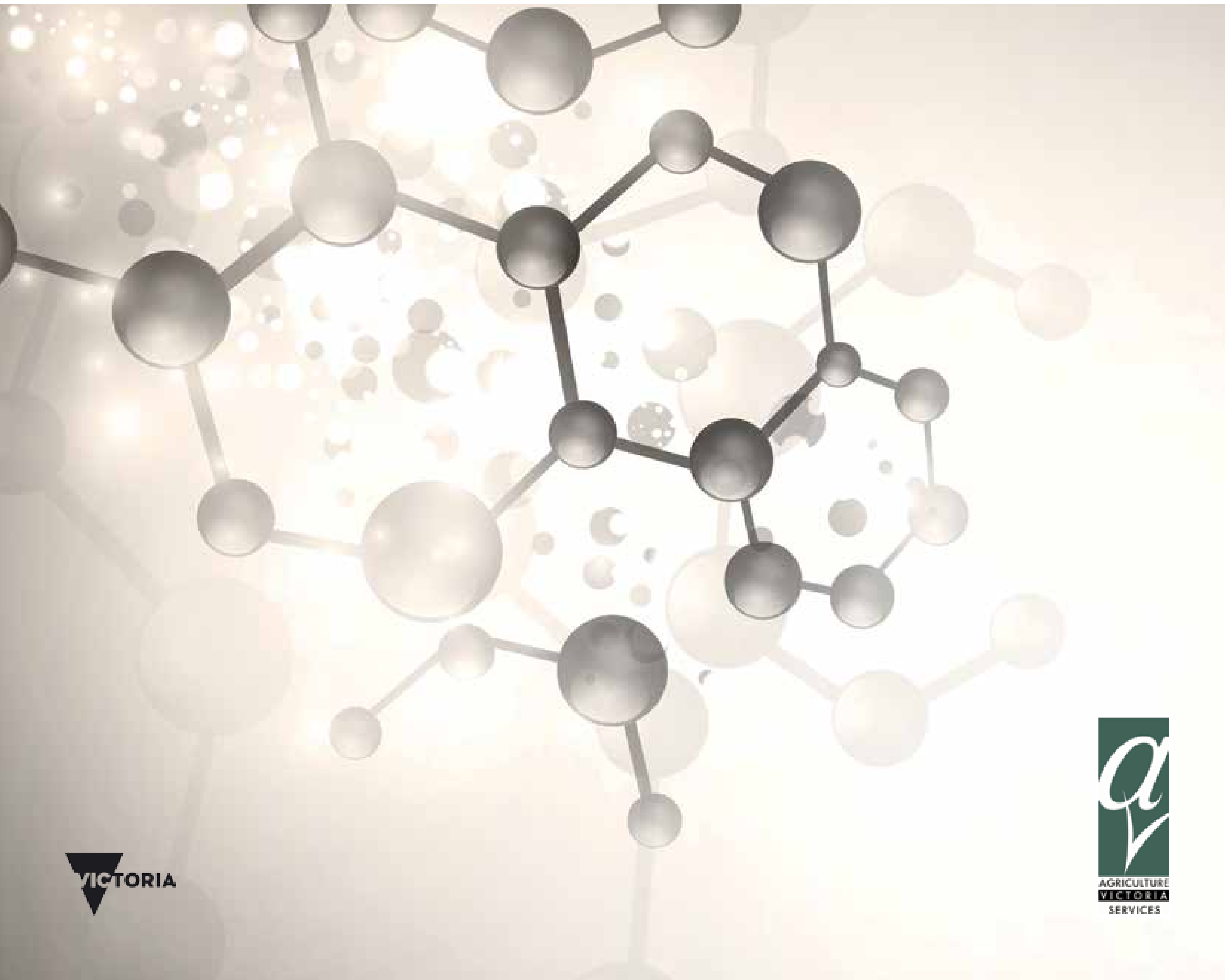
Agriculture Victoria Services Pty Ltd

Annual Report 2015



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Glossary of Terms

Agriculture Research and Development
A research branch of DEDJTR's Agriculture, Energy and Resources group.
AVS
Agriculture Victoria Services Pty Ltd.
Biosciences Research
A research branch of DEDJTR's Agriculture, Energy and Resources group.
Company ('the Company')
In reference to the Company: Agriculture Victoria Services Pty Ltd.
CRC
Cooperative Research Centre. CRCs are an Australian Federal Government program and are key bodies for Australian scientific research.
Department ('the Department')
Victorian Department of Economic Development, Jobs, Transport and Resources (DEDJTR).
GRDC
Grains Research and Development Corporation.
PBA
Pulse Breeding Australia.
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 is a wholly owned subsidiary of AVS.

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Ms KH Adams
Mr A Christianen
Mr JA Flintoft
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Chief Executive Officer
Mr BG Lang

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Melbourne VIC 3000

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

Commonwealth Bank
499 St Kilda Road
Melbourne VIC 3004

Company Profile

History

Agriculture Victoria Services Pty Ltd (AVS) has delivered almost thirty years of service to the Government of Victoria. The Company was established in 1986 by the Victorian Government to provide a commercial interface between the Department of Agriculture and Rural Affairs and private industry.

Today, AVS is widely recognised by its collaborators and stakeholders as the entity responsible for the protection and commercialisation of novel technologies created by world-leading biosciences and agriculture research undertaken by the Department of Economic Development, Jobs, Transport and Resources ('the Department').

Purpose

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

Government invests in research to increase the productivity and competitiveness of Victorian agriculture.

AVS provides expert intellectual property management and technology commercialisation services to maximise the adoption and impact of research discoveries and capability, thus enabling the Government to meet its objectives.

Objectives

AVS' strategic approach reflects a growing depth, breadth and complexity of the Company's business. In this context and consistent with the purpose for which the Company was established by the Victorian Government, AVS aims to further strengthen its role of providing a professional and objective commercial interface to support the transfer of the Department's intellectual property and scientific capabilities to the marketplace.

The strategic aspirations of AVS are expressed through three objectives:

1. To provide intellectual property and commercial services to maximise the impact of Department technologies and research capabilities;
2. To ensure the Department's intellectual property and commercial risks are well managed and the State's interests are protected; and
3. To enhance and accelerate the adoption of the Department's technologies with support from AVS investment.

Company Value

AVS has developed a relationship with industry as a trusted partner and provides the Government with a valued service and entity through which commercial risk can be appropriately managed. In this way, AVS has built trusted relationships with its stakeholders and collaborators.

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

AVS supports its value proposition and enables the achievement of its objectives through:

- A unique entity structure to streamline the interface between the Department and the private sector
- Systems and processes that are sophisticated, flexible and able to respond readily to the changing needs of stakeholders
- Specialist capabilities and resources geared to protect and commercialise intellectual property and provide risk assurance to the Department
- An AVS business and stakeholder engagement model that ensures the Company's continued financial viability.

AVS Operating Principles

AVS operates in accordance with the following fundamental management principles, in alignment with the Department's strategy directives and Government Intellectual Property Policy:

- AVS assists the Department to determine the most appropriate route to market for its research and development discoveries (i.e. public vs private/commercial) to meet its objectives
- A commercial route to market is pursued where economic and productivity outcomes for the State will be greater and more rapid than via public dissemination
- Where an intellectual property protection and commercial approach is pursued, the primary objective of AVS is to maximise technology adoption by industry and the economic development of the State
- Financial returns are a secondary objective of AVS and are sought commensurate with fair and reasonable value attribution
- AVS manages intellectual property and conducts private sector collaborations consistent with Government policy and objectives.

Key Stakeholders and Collaborators

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

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

- Victorian Government
- Minister for Agriculture
- Department of Economic Development, Jobs, Transport and Resources and its research branches:
  - Agriculture Research and Development
  - Biosciences Research; and its
  - Office of Strategic Partnerships
- technology co-investors and joint intellectual property equity holders
- research collaborators
- private sector technology licensees
- contractors and suppliers.

Chairman's Report

Agriculture Victoria Services Pty Ltd, its Board, management and employees are pleased to present the Company's annual report for the period ended 30 June 2015.

In 2014-15 AVS delivered positive results and demonstrated the Company's continuing contribution to helping to improve the economic prosperity of Victoria's food and fibre industries, notably all during a period of significant structural reformation for the Company.

The purpose of AVS is to provide a commercial interface between the Department and the private sector where discoveries and technologies of the Department require a commercial route to market in order to increase the productivity, profitability and competitiveness of our agricultural industries. AVS' activities in 2014-15 were successfully provided through a new service delivery model. The new model required all nine staff from the Department's Technology Commercialisation branch to transfer as employees to AVS, resulting in the creation of a single technology commercialisation structure now under the governance of AVS.

New service provision arrangements between AVS and the Department were agreed in 2014-15 through a five-year service and funding level agreement that specifies the needs of the Department for AVS delivery of its specialist intellectual property, commercialisation and contract management expertise. The new service arrangement also provides the Company with a sound revenue base for AVS to acquire the necessary capabilities and resources to meet the requirements for AVS to maximise uptake of the Department's research outcomes and protect the State's interests.

In 2014-15 the AVS Board led a review of the Company's strategy, resulting in the development of the AVS Corporate Plan for the next three-years. The strategy for AVS during this period reflects an increasing depth, breadth and complexity of the Company's business. In this context, the AVS Corporate Plan clearly outlines AVS' value proposition to its key stakeholders through three strategic objectives:

1. To provide intellectual property and commercial services to maximise the impact of Department intellectual property and research capabilities.
2. To ensure the Department's intellectual property and commercial risks are well managed and the State's interests are protected.
3. To enhance and accelerate the adoption of the Department's technologies with AVS investment support.

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

At the operational level, AVS further strengthened its engagement with the Department's research branches in 2014-15 by guiding, pursuing and maintaining appropriate intellectual property protection and route to impact pathways for important Department technologies, to maximise their benefit to industry. The AVS intellectual property portfolio is a strategically important asset of the Department. Comprising patent filings throughout the world that include a range of novel plant cultivars, genetic traits, biologicals, designer endophytes, genomic selection methods and related technologies, the AVS intellectual property pipeline is critical for fostering current and future research innovation for industry productivity improvement, by both the Department and its collaborators, particularly for dairy, grain, animal and horticultural producers in Australia.

Recent globalisation of the Department's research innovation pipeline has emphasised the importance of international collaborations to ensure that Victoria and Australia are at the leading edge of agri-bioscience technology development and application. In 2014-15, AVS further supported the Department in assessing and managing collaborations with major life science organisations and research groups in the Americas and Europe whilst continuing to pursue technology route to impact opportunities to expand its reach.

The strategic collaboration between AVS, Biosciences Research and Dow AgroSciences continued to flourish in 2014-15, with new research planned for the next 2-3 years that will seek to commercially validate novel discoveries and enabling tools for improved, accelerated, precision breeding of plants and animals. Established in joint foundation projects, novel co-created inventions will be reduced to practice via commercial application in crops of importance to Victoria and Australia, such as wheat and canola.

Finally, I would like to express my gratitude to my fellow directors and the management and staff of AVS, and in particular to Mr Bruce Lang, as retiring Company Chief Executive Officer. Thanks to Bruce and the combined efforts of staff in 2014-15, the Company is well positioned to add industry and commercial value to the Department's leading-edge science, as well as continue to be considered as a trusted partner of key Department stakeholders, commercial partners and the State Government. I am particularly grateful to Bruce who has had a long career with AVS. Bruce's leadership, commitment and professionalism is widely recognised and has been instrumental in positioning AVS as a trusted partner with national and international clients and collaborators.

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd

Chief Executive Officer's Report

In 2014-15 AVS successfully delivered intellectual property and commercialisation services to the Department to ensure that its technologies are transferred to the private sector to create maximum impact and its scientific activities enhanced through global collaborative research and development agreements. The year also saw the implementation of a new service delivery model and development of a corporate plan for the next three-year period.

As foreshadowed in last year's report, staff from the Department's Technology Commercialisation branch transferred to AVS in September 2014, creating a single structure and streamlining the model for delivery of intellectual property and commercialisation services. The consultative process leading to the transfer and the goodwill of all affected staff ensured that this change occurred seamlessly and without disruption to service delivery. As a consequence, AVS now has direct responsibility for all of the human resources required to deliver against its purpose and the Company is better placed to plan for its future capability needs and respond to stakeholder needs.

The new model is supported by a five-year Service Delivery and Funding Agreement entered into with the Department during 2014-15. The Agreement articulates the services to be provided and the basis for their delivery. It also provides AVS with surety to its service fee funding base for the next five years.

An updated Corporate Plan for the next three years was signed off by the Board in June 2015. The plan builds on the business logic developed in the current strategic plan and recognises the benefits of AVS' unique entity structure and the Company's role in providing a commercial interface between the Department and the private sector. At the core of AVS' value proposition is the drive to maximise industry adoption of Department intellectual property assets and research capabilities in a way that protects the interests of the Government and its key stakeholders.

AVS generated another strong financial result in 2014-15 maintaining the trend of recent years as the success of its investment projects continued to generate revenue growth, whilst costs remained tightly controlled.

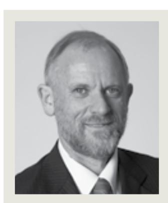
The activity of investing its own funds in the further development and commercialisation of Department created technologies has been an important element of AVS' business since its formation. This process is currently managed under the Company's Investment Policy that creates an Investment Fund targeted at bridging the gap between technology creation and the private sector's investment in product development. As noted above, the success of AVS' investment portfolio has resulted in significantly increased revenue flows over recent years, and this has resulted in an expansion of the pool of funds that are now available for further investment.

Accordingly, two new investment opportunities were accepted during the 2014-15 financial year. The first will extend funding to the highly successful herbicide tolerant barley project to support intellectual property protection and maximise the technology's potential in overseas markets. The second will provide funding to the Department's Biosciences Research branch to develop advanced breeding tools for the canola industry that will enable the generation of elite new canola hybrids with improved resistance to blackleg disease. This second investment is significant in that it reflects the potential for future opportunities to leverage technologies developed under the Department's major international research collaborations and provide for their deployment in crops of interest to Australia.

The coordination of technology release and market readiness is always a challenge and so has been the case with a high energy ryegrass product initiated under the Gramina joint venture and further developed by the Dairy Futures CRC. In its role as the owner of the core technology and entity responsible for its commercialisation, AVS has worked extensively with key players in the forage seed industry to explore opportunities for product development and subsequent release to farmers. Unfortunately, despite the scenario product's strong technical performance, and financial modelling indicating the potential for significant value generation, current market forces are mitigating against this technology's immediate commercial development. AVS is continuing to consult with key industry stakeholders in search of more positive signals and will support opportunities to further de-risk the market's perception of this technology.

The strength of its relationship with the Department is fundamental to AVS's success and it is appropriate to acknowledge Biosciences Research, Agriculture Research and Development and the Office of Strategic Partnerships, for their ongoing support during the past twelve months. The clear lines of communication and constructive dialogue have ensured strategic alignment and will continue to facilitate responsive service provision by AVS.

Finally, this will be my last report as CEO before retirement later in this calendar year. I am grateful for the wonderful opportunities that I have been afforded at AVS over the past 19 years where I have been fortunate to have worked with such a great group of people in the exciting and challenging environment of agricultural innovation. I will retire in the belief that AVS has developed a strong platform for the further development and enhancement of its unique service offering. The Company's strong human resource and financial capital base, its strategic alignment with the Department and its recognition by key stakeholders, ensure that it is well placed to make a valuable contribution to the improved productivity and competitiveness of Victorian farmers where a private sector route to market is needed for Department technologies.



Mr Bruce Lang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd

The Board

Dr Clive Noble
PSM BAgrSci (Hons)
PhD GAICD

Clive is Managing Director of AgInsight Pty Ltd, a consulting firm that provides science and technology advice to government, industry and the university and private sectors. Clive spent more than 30 years working in the public sector in agriculture and primary industries, most of this period as a senior executive. Clive's background is in research conduct, research and development strategy and management, corporate strategy, governance and technology commercialisation. Clive joined the AVS Board in 1998 and was appointed Chairman of the Company on 1 August 2008. Clive is also a director of AVS subsidiary entity, Phytogene Pty Ltd.

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

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

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

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

The Board (continued)

James Flintoft
BSc, LLB, MBA

James was Deputy Secretary for the Agriculture Division of the Department which included responsibility for agriculture and rural policy, research, development and extension, and trade and investment for Victorian agriculture.

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

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

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

Judith has an extensive and varied career in business. A veterinarian then entrepreneur, she established her own business which grew to be the largest veterinary diagnostic group in Australasia. After selling the business in 2001, she moved on to senior executive management roles within the corporate and non-profit sectors. In 2001 Judith received Australia's most prestigious award for women in business: the Telstra Australian Business Woman of the Year. Judith graduated with an MBA from the Melbourne Business School in 2002 and in 2003 was awarded the Centenary Medal. She is a Fellow of the Australian Institute of Company Directors and a Fellow of the Australian Institute of Management.

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

Peter Turvey
BA/LLB, MAICD

Peter is the former Group General Counsel, Company Secretary and Executive Vice-President Licensing of specialty biopharmaceutical company CSL Ltd, having retired in 2011. He is currently a principal of Foursight Associates Pty Ltd, and a non-executive director of Starpharma Holdings Ltd, Admedus Ltd and Viralytics Ltd. Peter played a key role in the transformation of CSL from a government-owned entity through Australian Securities Exchange listing in 1994 to the global plasma and biopharmaceutical company that it is today. He also had responsibility for the protection and licensing of CSL's intellectual property and for risk management within CSL. Peter joined the AVS Board on 13 July 2012 and is also a member of the AVS Audit and Risk Management Committee.

Summary of Financial Performance

A five year financial summary for Agriculture Victoria Services Pty Ltd and its controlled entities is provided in the following table. Further details relating to the 2014-15 year are contained in the accompanying financial statements.

Seven Year Financial Summary	2014-15 $'000	2013-14 $'000	2012-13 $'000	2011-12 $'000	2010-11 $'000
Total Revenue	20,488	17,032	19,275	18,015	12,117
Total Expenses	18,434	16,100	18,079	16,843	11,501
Other Economic Flows	(242)	(160)	2	270	21
Net Profit/(Loss)	**1,813**	**772**	**1,198**	**1,442**	**637**
Total Assets	21,707	24,462	19,936	21,897	13,160
Total Liabilities	8,245	12,812	9,058	12,217	4,922
Net Worth	**13,462**	**11,650**	**10,878**	**9,680**	**8,238**
Net cash from operating	(2,681)	5,548	450	5,828	1,471
Net cash from investing	(64)	(17)	-	(26)	(155)
Net Cash Movement	**(2,745)**	**5,531**	**450**	**5,802**	**1,316**

Operating Performance

The Consolidated Entity achieved a strong financial result in 2014-15 generating a net profit of $1.8 million. Revenue from all major sources was stable or higher than the previous year and expenditure remained within budget.

Revenue

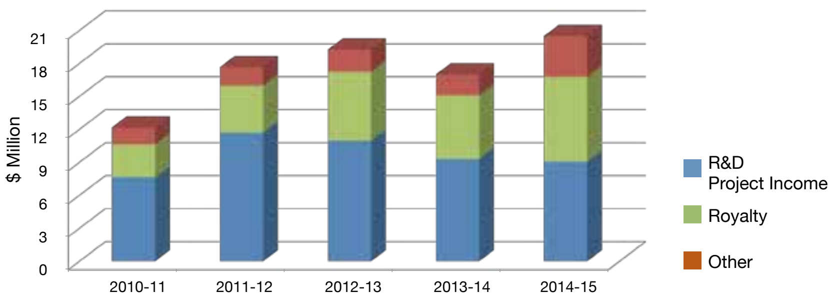
Consolidated revenue totalled $20.49 million in 2014-15, an increase of $3.46 million or 20 percent from 2013-14. Revenue increases occurred across the three major sources of income generated by the Company (i.e. royalties, project income and other).

Other income includes interest income which increased from $0.53 million in 2013-14 to $0.65 million in 2014-15 as a result of interest earned on the cash balances held with Treasury Corporation of Victoria.

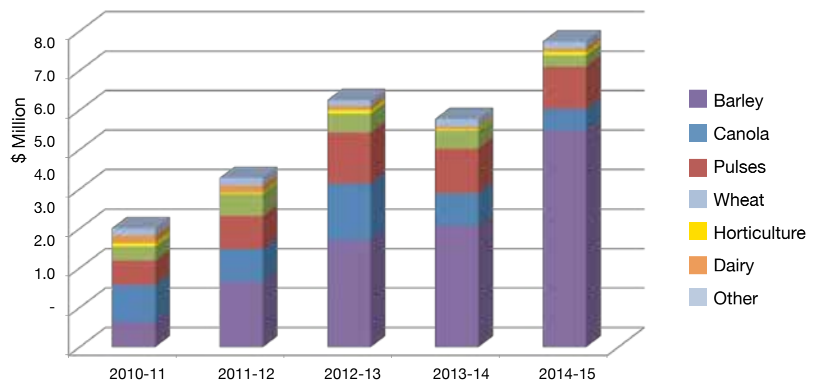
Revenue from the Company rendering services is primarily represented by income generated on behalf of the Department through research and development agreements with the private sector, the most significant component of which is major, milestone-based research collaborations. Total revenue from rendering services was $12.11 million in 2014-15. Income from major research collaborations remained steady. Income from fee-for-service activity increased by $1.40 million in comparison to 2013-14 due to the additional provision of services to the Department following the transfer of staff and capability to AVS during 2014-15.

Total royalty income increased by $1.96 million or 34 percent from 2013-14. The increase from $5.78 million to $7.74 million reflects significant growth in grower adoption and end-point-royalty returns from barley varieties, such as the herbicide tolerant barley variety, Scope CL Barley⦶.

Gross Income



Gross Royalty Income



Expenses

Total expenses increased by $2.33 million from the previous year to $18.43 million, principally as a result of the transfer of staff from the Department to AVS which resulted in increased salary and wage costs and general operating expenses.

Other Economic Flows

Other economic flows of $0.24 million in the Operating Statement reflect the recognition of an impairment loss on the Company's investment in the Juncea Canola and Primary Oilseeds Development Programs.

Financial Position – Balance Sheet

At the 30 June 2015 AVS net assets were $13.46 million compared with $11.65 million at 30 June 2014.

Total assets have decreased by $2.76 million from $24.46 million in 2013-14 to $21.7 million, predominantly due to the settlement of liabilities and impairment of intangible assets.

The net worth of the Consolidated Entity remains positive with funds remaining available for future Company investment to enhance the commercial value (and expedite market adoption) of novel research discoveries that emerge from the Department.

Review of Operations

The review of the Company's operations for the 2014-15 year is summarised under four areas of activity:

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

Intellectual Property – Protection and Management

Inventions held by the Company are represented by 497 patent filings throughout 32 countries and comprise a broad range of agricultural and related technologies.

Plant Breeder's Rights registrations are held in Australia and overseas for various plant varieties, most of which comprise canola, cereal and pasture species but which also include horticultural crops (e.g. strawberries, peaches and potatoes).

AVS holds a number of trademarks related to its businesses and scientific inventions created through research projects conducted by the Department. These are held mostly in Australia, but also in Argentina, Europe, New Zealand and the USA.

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

	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Inventions (patent families)	54	60	61	67	70	60	61
Plant Breeder's Rights	65	62	54	52	56	58	54
Trade marks	12	12	12	11	12	12	15

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

Review of Operations (continued)

Intellectual Property Filings

A total of 46 patent filings were lodged throughout 2014-15. Patent filings were composed of new inventions, as well as extensions and variations to existing patents that broaden both their technical and geographic coverage. This represents an increase from the previous year and is more typical of the expected growth in filings as new technologies are first filed in strategic territories, and further filings are made to enhance previously filed patent applications.

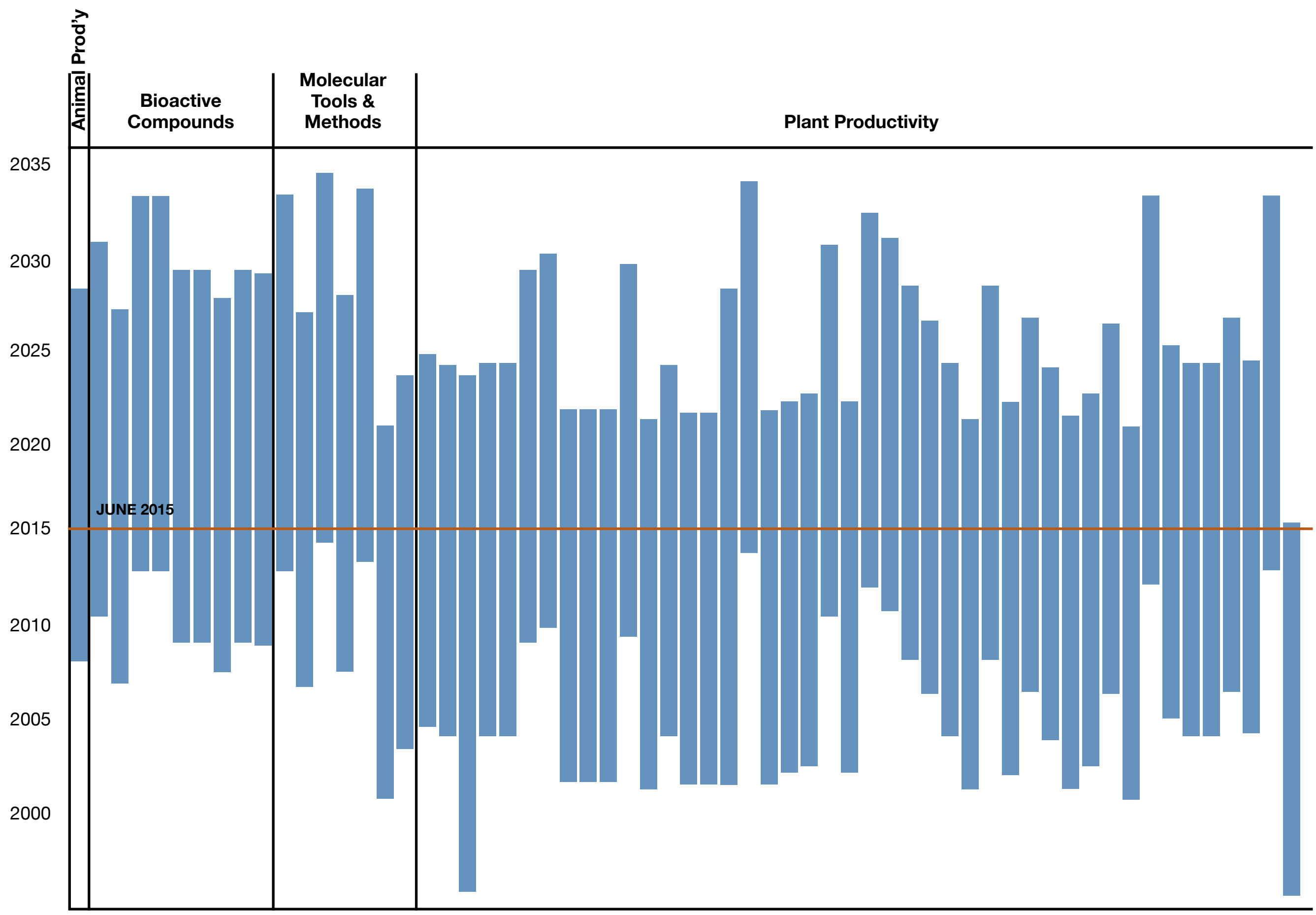
Two new inventions were patent filed this financial year as an outgrowth of previous collaborative research between the Department and Murray Goulburn Pty Ltd. These were in the area of the use of RNase5, a protein found in milk for increasing muscle mass.

Over the past ten years, the Department has gradually divested from plant cultivar breeding in several grains and horticultural crops. The enduring intellectual property management requirements of the AVS' genetics-based intellectual property portfolio has enabled the protection of several new, elite plant varieties, originally bred by Biosciences Research which are of high value to Australian farmers. In 2014-15:

- three Plant Breeder's Rights were filed, two for potato varieties and one for an ornamental eucalyptus tree
- three Trademark applications were made for products associated with new raspberry cultivars and two new pear cultivars. The two pear variety Trademarks were also registered in the USA and Europe.

The protection status of the AVS intellectual property portfolio (comprising patent and Plant Breeder's Rights) is summarised as follows:

Duration of Protection – AVS Patent Portfolio by Category



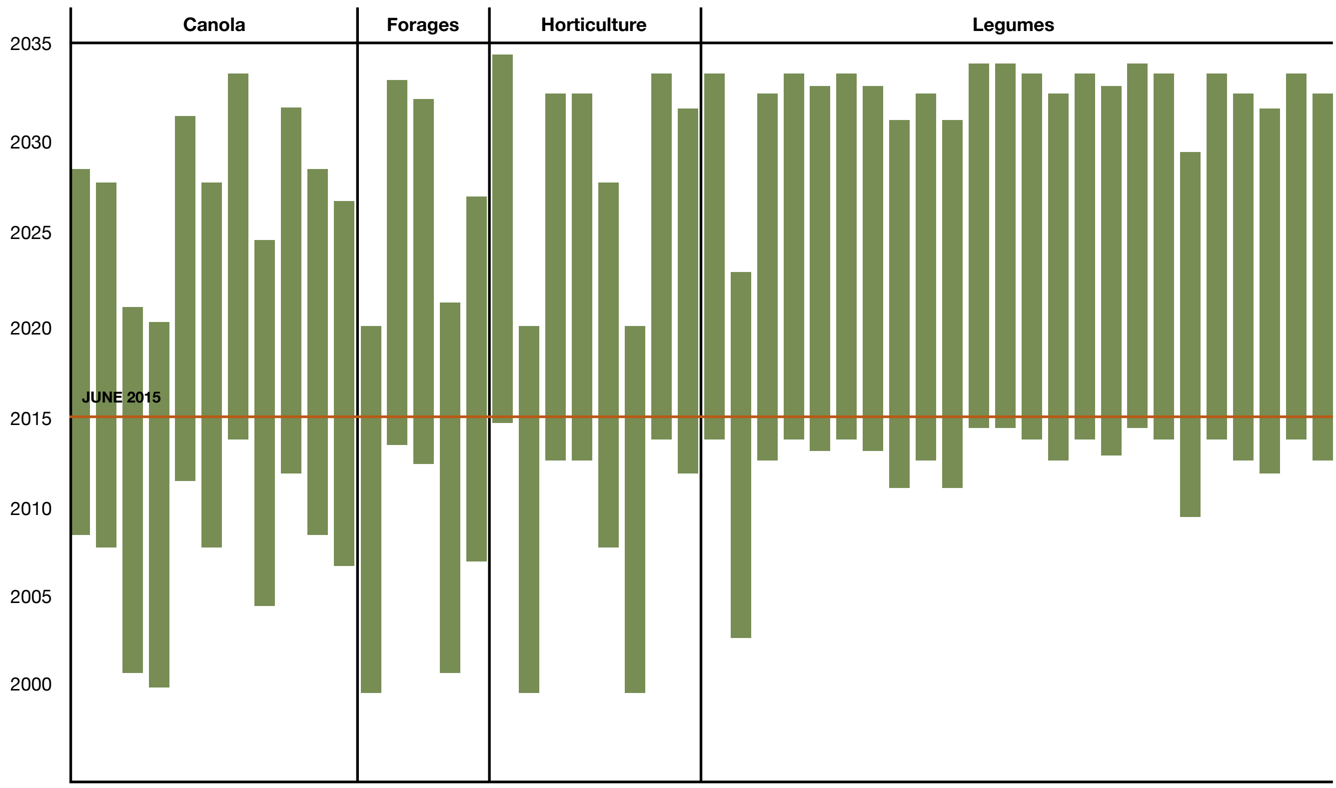
Review of Operations (continued)

The AVS patent portfolio has a broad mix of mature and new technologies, predominantly in areas associated with Biosciences Research inventions associated with delivering plant productivity and biosecurity outcomes.

The AVS Plant Breeder's Rights portfolio comprises a broad genetic mix of plant species, with the majority of new varieties registered in 2014-15 being pulse cultivars (i.e. lentils and field peas).

While there remains a significant legacy of elite plant cultivars, plant genetics and related traits that remain of significant value to industry and are commercialised by AVS, the shifting focus of Department research and development investment upstream (e.g. for the discovery of novel methods, tools and genetic trait technologies for achieving plant productivity improvements), the size and composition of the AVS PBR portfolio will also gradually diminish.

Duration of Protection for PBR Portfolio by Category



Review of Operations (continued)

Intellectual Property Commercialisation
The following activities in 2014-15 relate to AVS licensing of intellectual property rights associated with research discoveries of the Department, to maximise their adoption and impact for industry:

- An exclusive plant variety licence was signed with InterGrain for an elite new barley variety, **La Trobe**Φ, bred by Biosciences Research. **La Trobe**Φ is a new malt-accredited barley variety that offers growers an alternative to **Hindmarsh**Φ, with high yields in low to medium rainfall environments and malting characteristics suited to export brewing industries.
- Commercial evaluation licences were entered into with Vicseeds Production Pty Ltd for two ryegrass pasture varieties bred by Biosciences Research (with one or both varieties likely to be released to the market):
  - an evaluation and licence option agreement for the ryegrass variety ***Bolton***Φ to replace Victorian ryegrass variety pastures in sheep and beef zones;
  - an evaluation and licence option agreement for the perennial ryegrass variety ***EndurePRG***Φ for the sheep and beef zones.
- Pulse Breeding Australia (PBA), an unincorporated joint venture comprising the Grains Research and Development Corporation (GRDC), Pulse Australia and six research and development entities (including the Department) across five Australian states, aims to deliver superior pulse varieties for the benefit of Australian grain growers.
- Through research agreements entered into between the Department and GRDC, Biosciences Research leads the PBA field pea and lentil breeding subprograms at Horsham and Bundoora, with the aim of producing elite, new varieties with superior agronomic traits for Australia. AVS and GRDC have entered into a related head agreement that provides AVS the rights to grant commercial evaluation and exploitation rights to suitable private sector licence partners for new lentil and field pea varieties.
- AVS entered into plant variety licence agreements with PB Seeds Pty Ltd after it exercised its exclusive option for the commercialisation of the following elite new lentil varieties:
  - **PBA Jumbo 2**Φ is a high yielding red lentil variety which has already shown its potential to reliably outperform all other similar varieties in medium-rainfall lentil growing regions. It is a broadly adapted, large, red variety which will soon replace the two leading large red types in the market, **PBA Jumbo**Φ and Aldinga.
  - **PBA Greenfield**Φ is a medium-sized green lentil and is now the highest yielding green lentil variety in Australia. Its yield is comparable with recent high yielding red lentil varieties. **PBA Greenfield**Φ represents a new market opportunity for Australian growers with potential for development in new markets.
  - **PBA Giant**Φ is a large green lentil variety with improved yield and shattering resistance compared to **Boomer**Φ. It is the largest seed size Australian green lentil variety and is a broadly adapted variety, best suited to medium rainfall lentil growing regions. **PBA Giant**Φ provides a new opportunity to growers for green lentil production in Australia.
- Several licence agreements detailing the transfer of potato genetics derived from Biosciences Research were entered into with private sector entities in the potato industry:
  - a plant variety licence for a niche market potato variety **Teardrop**Φ with Wombat Forest Organics. The variety has superior cooking versatility and is aimed at the gourmet potato market.
  - an evaluation and licence option agreement for two new fresh market potato lines (04-194-01 and 04-172-06) with East Coast Cultivars Pty Ltd.
  - a plant variety licence agreement for the potato variety known as **Marguerite**Φ was renewed with Elders Rural Services Australia Limited for the variety to deliver greater value to industry through a suited distribution model. **Marguerite**Φ is a high yielding potato variety with smooth skin and sweet white flesh.
  - technical services and licence agreements were entered into with four private companies in the fresh potato industry. All four agreements include licensed rights to parental potato breeding lines and associated genomic breeding tools developed by Biosciences Research to accelerate development of elite new potato varieties.
- A plant variety licence to several raspberry and blackberry varieties was signed with Raspberries and Blackberries Australia Inc (RABA) that grants licence rights for the next five years to evaluate and commercialise raspberry and blackberry cultivars bred by the Department's Bioscience Research.
- A plant variety licence for the strawberry variety **Lowanna**Φ bred by the Department's Bioscience Research was signed with Sweets Strawberry Runners Pty Ltd.

Review of Operations (continued)

Collaborative Research and Development

The following activities in 2014-15 relate to the negotiation and establishment of contracted research agreements by AVS in collaboration with the private sector. Agreements are entered into by AVS on behalf of the Department to maximise the impact of Department capabilities for industry:

- Contract research and development agreements were established and conducted as projects with organisations in the grains, horticulture and dairy sectors, which included:
  - the profiling of proteins and lipids in dairy products
  - corn crop health surveys
  - cereal disease screening in wheat and barley for four private sector grain companies
  - a scoping study project and an independent review of tree crop productivity for Horticulture Innovation Australia Limited.
- Experimental and consulting research and development projects were undertaken in collaboration with a major international research and development institute and a private sector entity to provide services relating to glasshouse systems and the use of plastic film technology for the production of leafy vegetables.
- Other contract research and development projects included:
  - a farm water spatial project with the Goulburn Broken Catchment Management Authority
  - soil and plant monitoring for two private sector dairy companies
  - provision of data and economic analysis of future climate scenarios for the dairy industry
  - analytic assessment of natural plant extracts.

Intellectual Property Management and Commercial Support

The following activities in 2014-15 relate to the provision of specialist commercial and legal services by AVS to the Department, to ensure the management and governance of important intellectual property assets and commercial research agreements are in the interests of the State:

- The Department has developed improved pasture grass species under the former Molecular Plant Breeding CRC and more recently in association with the Dairy Futures CRC. During 2014-15 AVS has worked with key dairy stakeholders in the development of a plan for market introduction of a high-energy ryegrass product in the future and for gaining wider acknowledgment by the dairy supply chain of the economic value of the technology in order to facilitate wide-spread adoption by farmers.
- In consultation with the Department, AVS developed the "Intellectual Property Management Framework - Principles and Guidelines" for the Department's Agriculture Division that ensures State Government Intellectual Property Policy and Guidelines are fully considered, communicated and deployed within the Department. The Framework guides all intellectual property generation, registration, prosecution, commercialisation and contract management functions of AVS and the Department's Research branches.
- AVS provided advice and assistance to the Department's Research branches in the development and negotiation of a range of important research and development agreements, including:
  - a collaborative research agreement template for projects conducted between the State of Victoria and Horticulture Innovation Australia Limited
  - arrangements for funding PhD students.
- AVS also provided guidance and support to the Department's Research branches by reviewing and advising on several research-enabling agreements, including:
  - Material Transfer Agreements to ensure alignment with head funding agreements and relevant service agreements
  - subcontracts to ensure alignment with a major bilateral subcontract with a Research and Development Corporation
  - advising on a variety of intellectual property arrangements and ensuring the consistency of the terms between several funding agreements for the Herd Improvement Strategy 2020
  - Assistance in the scoping and development of "DairyBio", a major research and development program between the Department and Dairy Australia due to commence in July 2016.

Review of Operations (continued)

Investments

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

Phytogene Pty Ltd

Phytogene Pty Ltd is a wholly owned subsidiary company of Agriculture Victoria Services Pty Ltd. Its purpose is to commercialise a proprietary and patented delayed plant leaf senescence technology with the trade mark, LXR®. The technology has a wide range of potential applications for major plant crops by increasing dry matter production, seed yield and drought tolerance.

The Company also holds exclusive commercialisation rights to another yield enhancing technology which is complementary to LXR®. Known as BET (biomass enhancement technology), this trait technology was developed by AVS and the former Molecular Plant Breeding CRC.

Following early seed funding from AVS, Phytogene has been financially self-sufficient since 2008 with payments received from licensees providing sufficient funding to support the Company's operations. Phytogene continues to maintain a low cost structure while it builds value in the technology and seeks further commercial opportunities. As a result, Phytogene has been able to meet the operating loss of $92,390 incurred in 2014-15 from its own internal cash resources.

Fees and milestone payments due from licensees are projected to ensure Phytogene remains cash flow positive in the period prior to the launch of the first plant variety incorporating the LXR® technology.

Glasshouse and field trial results to date have provided evidence of proof of concept for LXR® in the dicot species canola, white clover and alfalfa. Proof of concept in a monocot species has been a recent priority for Phytogene, particularly in wheat given the crop's strategic importance to Victoria. To this end, on behalf of Phytogene, Biosciences Research (with approval of the Office of the Gene Technology Regulator) completed an extensive field trial of LXR® and BET wheat in 2014-15.

Phytogene's wheat field trial results in 2014-15 reflected significant yield benefits for LXR®, particularly under water-stressed conditions where statistically significant gains of between 40% and 60% were shown. Yield gains in BET wheat were also achieved.

During 2014-15 the Company also received positive reports from a Phytogene licensee for LXR alfalfa following its completion of successful field trials. This has led to a Company decision to advance to product development by commencing a crossing programme to incorporate the LXR® trait into its commercial lucerne germplasm.

During 2015-16, Phytogene will target communications of its strong technical and field-trial data now gathered that clearly demonstrates the efficacy of the LXR and BET yield enhancement technologies, in both dicot and monocot species, with a view to entering licensing arrangements with suitable private sector companies.

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

Primary Oilseeds

Primary Oilseeds is an oilseed cultivar development and commercialisation program that delivers elite canola germplasm and varieties through three genetic trait pipelines: conventional canola, triazine-tolerant canola and imidazolinone-tolerant (Clearfield®) canola (as parental lines).

Investment provided by AVS over a four-year period was completed in 2007 when, in alignment with Department 'Policy for Investment in Plant Breeding', the Department determined to divest from further canola cultivar breeding. AVS implemented a transition process which resulted in the successful transfer of canola cultivar development activities and intellectual property rights from the State to the private sector.

In exchange for the transfer of this germplasm, AVS and the Department receive royalty payments arising from the commercialisation of existing and new canola cultivars by private sector partners.

Returns from AVS investment in the maturing Primary Oilseeds program remain in decline due to the expected reduction in new commercial varieties attributable to AVS genetics (originally assigned for breeding use on the Department's exit from canola cultivar development).

AVS HOLL Canola

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

Review of Operations (continued)

2. **Project expenditure reported in the AVS balance sheet as an intangible asset** (continued)

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

The collaboration has resulted in the release by Cargill of new commercial canola varieties in Australia with proprietary HOLL canola traits that offer value to the food and food processing sectors based on the product's health benefits to consumers.

Current variety releases include **Victory V3002** (a conventional hybrid HOLL canola hybrid) and **Victory V5002** (a Round-Up Ready® herbicide tolerant hybrid). Several new Victory HOLL canola hybrids are currently under evaluation for prospective release in the next three to five years, with the outlook for continued grower adoption of AVS-Cargill HOLL canola varieties remaining promising.

AVS Juncea Canola

The AVS Juncea Canola investment project was established to develop canola-quality *Brassica juncea* oilseed varieties with improved adaptation for marginal canola growing regions in Australia.

Most of Australia's canola oil crop originates from the species *Brassica napus.* However, 'Juncea Canola' is traditionally better suited to low-rainfall, high-temperature environments. To date, the project has developed canola-quality *Brassica juncea* genetics with improved adaptation for the drier canola growing regions in Australia, along with traits conferring improved herbicide tolerance, disease-resistance (i.e. blackleg and white rust) and quality characteristics.

The open-pollinated, imidazolinone herbicide tolerant (Clearfield®) variety, **XCEED™ Oasis CL**, currently remains the only Juncea canola variety being grown commercially in Australia, on a small-scale. The Landmark Operations Juncea Canola breeding program includes several promising herbicide tolerant Juncea canola cultivars (in advanced stages of field evaluation), in readiness for commercial release subject to an increase in industry acceptance and demand for the product.

New Canola Investment

In February 2015, the AVS Board approved a new investment opportunity that aims to assist canola breeders to develop higher-yielding canola hybrids with improved blackleg disease-resistance via novel genomic selection methods. The new breeding tool, developed through a major Biosciences Research collaboration, is targeted for use by canola breeders to accelerate and optimise the development of elite canola hybrids with both quantitative and qualitative resistance to blackleg disease.

Blackleg is a fungal disease that poses a significant threat to the Australian canola industry and is responsible for the greatest proportion of biotic pathogen induced production losses for Australian canola growers. Successful validation of this invention through AVS investment will lead to enhanced prediction of the blackleg resistance of screening plants, shortening of the canola hybrid breeding process and accelerated delivery of elite new hybrid canola varieties to Australian canola growers.

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

Herbicide Tolerant Lentils

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

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

Leading candidate herbicide tolerant lentil cultivars were developed and, through AVS's private sector partner PB Seeds Pty Ltd, underwent wide-scale commercial grower evaluation.

The first AVS herbicide tolerant lentil variety, **PBA Herald XT**Φ, was commercially launched by PB Seeds Pty Ltd and Pulse Breeding Australia in 2011 and received wide grower acceptance.

The second AVS herbicide tolerant lentil variety released, **PBA Hurricane XT**Φ, received strong seed orders for sowing in season 2014 and 2015. **PBA Hurricane XT**Φ is an important variety in areas where weed control is a priority and as a replacement for **PBA Herald XT**Φ**.**

Review of Operations (continued)

3. **Project expenditure that has been charged against the income statement when incurred** (continued)

Herbicide Tolerant Barley

Weed control is a key issue in Australian grain production, including in barley crops. Effective chemical weed control is desirable to maximise production of the crop and limit the need for mechanical cultivation and its resultant damage to soil structure and erosion. In barley cropping systems, a greater range of herbicides to control the full spectrum of relevant weeds is considered highly advantageous to cereal growers. With this aim, AVS invested in an experimental research and development project carried out by Biosciences Research. The project screened genotypes from barley mutant populations for improved tolerance to herbicides for broadleaf and grass weed control.

Following technical proof of concept, AVS secured global intellectual property protection of the herbicide tolerant barley trait technology in key barley producing countries. The project has since resulted in the licensing of local seed and global herbicide partners for the commercial release of the world's first herbicide tolerant barley variety, **Scope CL Barley**⦶.

The commercialisation of the AVS herbicide tolerant barley trait in Australia has been highly successful to date in terms of its rapid and early adoption by the Australian barley industry, following achievement of several key regulatory and commercial milestones as summarised below:

- Registration of Intervix® herbicide application on AVS herbicide tolerant barley approved by the Australian Pesticides and Veterinary Medicines Authority (APVMA).
- Licence signed between AVS and BASF Plant Sciences enabling use of the Clearfield® trademark for **Scope CL Barley**⦶. Note barley growers are required to strictly follow BASF's stewardship protocols in their application of Intervix® on Clearfield® Scope barley.
- Licence signed between AVS and Landmark Operations Ltd (Seednet) granting exclusive licence rights to commercially produce and market **Scope CL Barley**⦶ seed in Australia, via end-point-royalty production and grower declaration.
- **Scope CL Barley**⦶ accredited as a 'malting' variety by Barley Australia.

The continued, significant growth in grower uptake of **Scope CL Barley**⦶ is evident through strong seed sales and production for the variety in 2014-15 which is being driven by the increasingly demonstrable value of the herbicide tolerant trait to barley growers and relatively good seasonal conditions.

In 2014-15, AVS made a further investment in the project aimed at maximising and sustaining the beneficial impact of the barley trait in Australia, by enabling:

- Herbicide tolerant barley trait deregulation in Canada to de-risk future herbicide tolerant adoption in Australia
- Herbicide tolerant barley patent rights to be secured in target barley producing countries.

Corporate Governance

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

Company Structure and Function

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

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

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

AVS has five million issued shares that are held non-beneficially on behalf of the State of Victoria by Mr Adam Fennessy, the Department of Environment, Land, Water and Planning (DELWP) Secretary. The shares are subject to a declaration of trust that requires the shareholder to exercise their rights In such manner as the Minister for Agriculture or their delegate shall from time to time direct.

Responsibilities and Composition of the Board of Directors

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

The Board currently consists of six Non-Executive Directors. Directors are appointed in accordance with the Victorian Government's *Appointment and remuneration guidelines for Victorian government boards*, *statutory bodies and advisory committees.* The current Board members are as follows:

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

Board Committees

The Board currently has three standing Committees.

Audit and Risk Management Committee

The purpose and objectives of the Audit and Risk Management Committee (ARMC) are defined in the AVS Audit & Risk Management Committee Charter and include oversight and advice on matters of accountability, compliance, performance and risk management. Members of the ARMC during the 2014-15 year were:

Mr Antony Christianen	Chairman of ARMC and AVS Director
Ms Jessica Lambous*	Department Representative Member
Mr Desmond Hill	Independent Member
Mr Peter Turvey	AVS Director

** Retired from the Committee on 13 October 2014*

The committee met four times during the year.

The Audit & Risk Management Committee is assisted in the discharge of its duties by HLB Mann Judd Pty Ltd, who is appointed as the Company's internal auditors for a three-year period to June 2018.

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. The Remuneration Committee met twice during the 2014-15 year.

Investment committee

The Investment Committee is constituted under the AVS Investment Policy and Procedure. It is responsible for assisting and advising the AVS Board on matters relating to the investment of AVS funds and their periodic review and valuation. All Directors are members of the Investment Committee. The Investment Committee met twice during the 2014-15 year.

Corporate Governance (continued)

Policies and Procedures

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

Risk Management

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

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

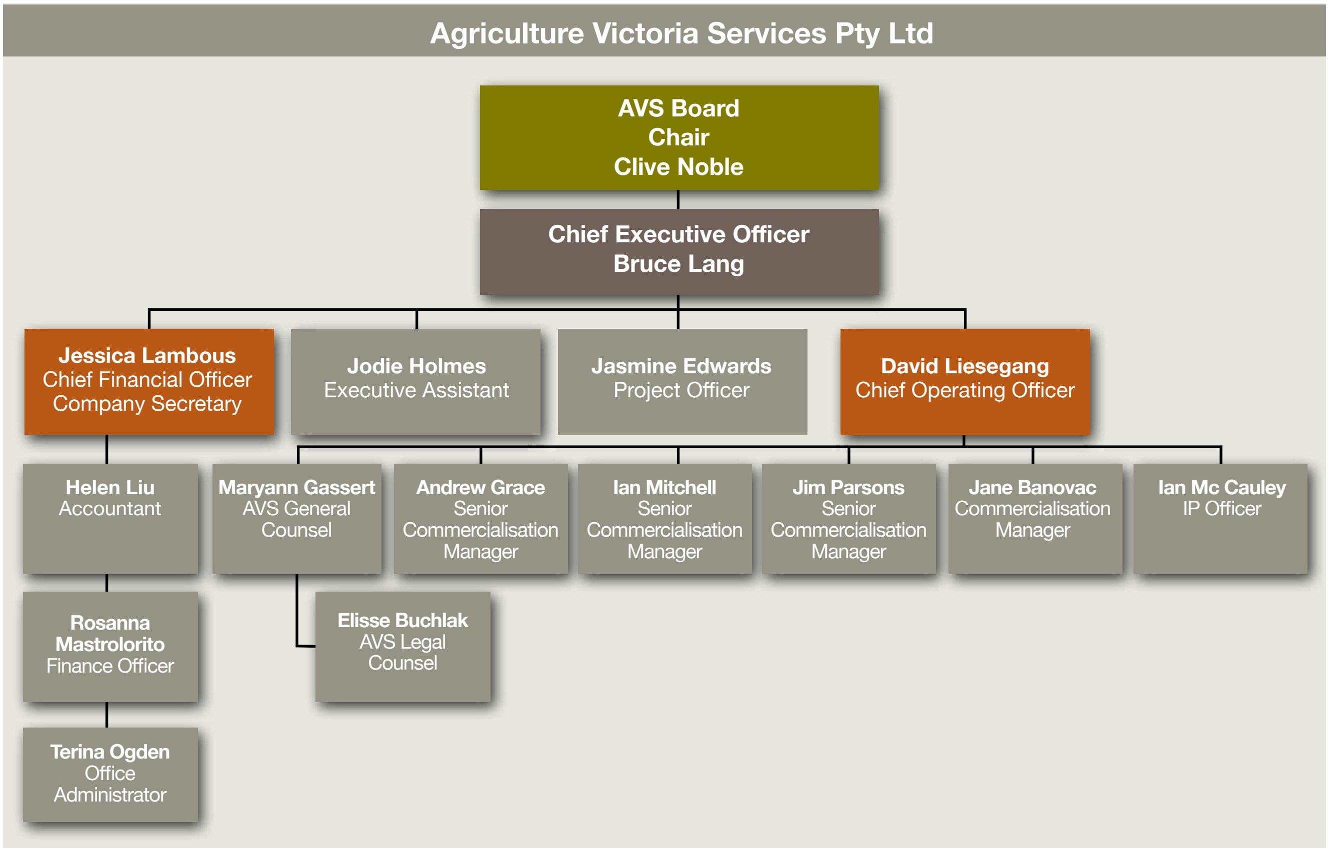
Attestation of Compliance with the Australian/New Zealand Risk Management Standard

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

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd
30 June 2015

Corporate Governance (continued)

Organisational Structure



Legislative Framework

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

Corporations Act 2001

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

Public Administration Act 2004

The Public Administration Act 2004 incorporates a set of values and principles to support public administration and provides a framework designed to ensure effective and consistent governance across the entire Victorian Public Sector. The Victorian Public Sector Commission is established under the Act to support its administration and implementation.

AVS is classified as a Public Entity under this Act and, by Order in Council dated 25 June 2013, became subject to Divisions 2 and 3 of Part 5 of the Act and the governance principles contained therein.

Financial Management Act 1994

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

Audit Act 1994

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

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

Corporate Governance (continued)

Privacy Act 1988

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

Protected Disclosure Act 2012

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

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

What is a 'protected disclosure'?

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

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

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

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

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

How do I make a 'Protected Disclosure'?

You can make a protected disclosure about AVS or its board members, officers or employees by contacting the Department or the Independent Broad-based Anti-corruption Commission on the contact details provided below. Please note that AVS is not able to receive protected disclosures.

How Can I access AVS's procedures for the protection of persons from detrimental action?

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

Contacts

Independent Broad-Based Anti-Corruption Commission Victoria

Address:	Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001
Mail:	IBAC, GPO Box 24234, Melbourne Victoria 3000
Internet:	www.ibac.vic.gov.au
Phone:	1300 735 135
Email:	see the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Directors' Report

The Board of Directors present their report together with the financial report of Agriculture Victoria Services Pty Ltd and of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2015 and the auditor's report thereon.

Directors

The names of the directors of the Company at any time during or since the end of the financial year are:
K.H. Adams A. Christianen J. A. Flintoft C.L. Noble J.M. Slocombe P. R. E. Turvey
All Directors were in office from the beginning until the end of the financial year.

Principal Activity

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

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

Results and Dividends

The comprehensive result for the Company for the year was $1,904,922 (2014 profit $845,998). The net result for the Consolidated Entity for the year was $1,812,530 (2014 profit $771,583).

The directors do not recommend payment of a final dividend and no dividend has been paid since the end of the previous year. (2014: Nil).

Likely Developments

The consolidated entity will continue to facilitate the expansion of commercial revenues associated with the research and development activities of the Victorian Department of Economic Development, Jobs, Transport and Resources. No significant changes are expected to the principal activities of the consolidated entity during the next financial year.

Events Subsequent to Balance Date

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

Impact of Legislation and other External Requirements

The Company is not significantly affected by any environmental legislation.

Directors Meetings

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

	Board of Directors		Committee of the Board of Directors					
	Full Board		Audit & Risk Management		Investment		Remuneration	
	No. Meetings Attended	**No. Meetings Eligible**	**No. Meetings Attended**	**No. Meetings Eligible**	**No. Meetings Attended**	**No. Meetings Eligible**	**No. Meetings Attended**	**No. Meetings Eligible**
KH Adams	6	6	-	-	2	2	2	2
A Christianen	6	6	4	4	2	2	2	2
JA Flintoft	4	6	-	-	1	2	2	2
CL Noble	6	6	-	-	2	2	2	2
JM Slocombe	5	6	-	-	2	2	2	2
PRE Turvey	6	6	4	4	2	2	2	2

Director's Report

Indemnification and Insurance of Officers and Auditors

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

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

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

Dr Clive Noble
Director
27 August 2015

Dr Judith Slocombe
Director
27 August 2015

VAGO

Victorian Auditor-General's Office

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

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the Directors, Agriculture Victoria Services Pty Ltd

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

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

Independence Declaration

As auditor for Agriculture Victoria Services Pty Ltd for the year ended 30 June 2015, 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.

T McQuild

MELBOURNE
8 September 2015

for John Doyle
Auditor-General

Financial Statements

AGRICULTURE VICTORIA SERVICES

Comprehensive Operating Statement

Year ended 30 June 2015

	Notes	Consolidated 2015 $	Consolidated 2014 $	The Company 2015 $	The Company 2014 $
Income from transactions					
Revenue from rendering services and royalties	2(a)	19,842,907	16,476,331	19,852,321	16,481,188
Interest	2(b)	645,533	526,905	635,581	513,508
Grants	2(c)	-	28,526	-	-
Total income from transactions		**20,488,440**	**17,031,762**	**20,487,902**	**16,994,696**
Expenses from transactions					
Employee expenses	3(a)	1,460,368	525,191	1,460,368	525,191
Depreciation	3(b)	279,300	268,256	279,300	268,256
Interest expense	3(c)	950	-	950	-
Operating expenses	3(d)	16,693,216	15,305,961	16,600,286	15,195,557
Total expenses from transactions		**18,433,834**	**16,099,408**	**18,340,904**	**15,989,004**
Net result from transactions (net operating balance)		**2,054,606**	**932,354**	**2,146,998**	**1,005,692**
Other economic flows included in net result					
Net gain/(loss) on non-financial assets(i)	4(a)	(237,239)	(156,330)	(237,239)	(156,330)
Net gain/(loss) on financial instruments	4(b)	(1,829)	(3,706)	(1,829)	(3,206)
Net gain/(loss) from other economic flows	4(c)	(3,008)	(158)	(3,008)	(158)
Total other economic flows included in net result		**(242,076)**	**(160,194)**	**(242,076)**	**(159,694)**
Net result		**1,812,530**	**772,160**	**1,904,922**	**845,998**
Other economic flows – other comprehensive income		**-**	**(577)**	**-**	**-**
Comprehensive result		**1,812,530**	**771,583**	**1,904,922**	**845,998**

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

Notes:

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

Balance Sheet

As at 30 June 2015

		Consolidated		The Company	
	Notes	2015 $	2014 $	2015 $	2014 $
ASSETS					
Financial assets					
Cash and deposits	18(a)	20,230,733	22,975,812	19,842,283	22,497,204
Receivables	5	1,068,816	625,914	1,068,716	624,602
Other financial assets	6	-	-	855,002	855,002
Total financial assets		**21,299,549**	**23,601,726**	**21,766,001**	**23,976,808**
Non-financial assets					
Plant and equipment	8	96,344	70,656	96,344	70,656
Intangible Assets	9	311,133	789,578	311,133	789,578
Total non-financial assets		**407,477**	**860,234**	**407,477**	**860,234**
Total assets		**21,707,026**	**24,461,960**	**22,173,478**	**24,837,042**
Liabilities					
Payables	10	7,710,831	12,682,005	7,697,446	12,669,642
Borrowings	11	24,035	-	24,035	-
Provisions	12	510,070	130,395	510,070	130,395
Total liabilities		**8,244,936**	**12,812,400**	**8,231,551**	**12,800,037**
Net assets		**13,462,090**	**11,649,560**	**13,941,927**	**12,037,005**
Equity					
Accumulated surplus / (deficit)		8,462,090	6,649,560	8,941,927	7,037,005
Share capital		5,000,000	5,000,000	5,000,000	5,000,000
Net worth		**13,462,090**	**11,649,560**	**13,941,927**	**12,037,005**

Commitments for expenditure	15
Contingent liabilities	16

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

Statement of Changes in Equity

Year ended 30 June 2015

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

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

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

Cash Flow Statement

Year ended 30 June 2015

	Notes	Consolidated 2015 $	Consolidated 2014 $	The Company 2015 $	The Company 2014 $
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts					
Receipts from customers		21,480,800	18,132,871	21,486,774	18,097,436
Interest received		549,068	515,453	538,404	501,803
Total receipts		**22,029,868**	**18,648,324**	**22,025,178**	**18,599,239**
Payments					
Payments to suppliers and employees		(23,746,436)	(12,755,754)	(23,654,528)	(12,567,034)
Good and Services Tax paid to the ATO(i)		(963,779)	(344,672)	(960,839)	(328,971)
Interest and other costs of finance paid		(950)	-	(950)	-
Total payments		**(24,711,165)**	**(13,100,426)**	**(24,616,317)**	**(12,896,005)**
Net cash flows from/(used in) operating activities	18(b)	**(2,681,297)**	**5,547,898**	**(2,591,139)**	**5,703,234**
Cash Flows From Investing Activities					
Purchase of plant and equipment		(63,782)	(36,323)	(63,782)	(36,323)
Proceeds from sale of plant and equipment		-	19,727	-	19,727
Proceeds from sale of available-for-sale financial assets		-	-	-	500
Net cash flows from/(used in) investing activities		**(63,782)**	**(16,596)**	**(63,782)**	**(16,096)**
Cash flows from financing activities					
Cash payments to owners to acquire or redeem the entity's shares		-	(577)	-	-
Net cash flows from/(used in) financing activities		**-**	**(577)**	**-**	**-**
Net increase / (decrease) in cash and cash equivalents		(2,745,079)	5,530,725	(2,654,921)	5,687,138
Cash and cash equivalents at beginning of financial year		22,975,812	17,445,087	22,497,204	16,810,066
Cash and cash equivalents at the end of the financial year	18(a)	**20,230,733**	**22,975,812**	**19,842,283**	**22,497,204**

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

Notes:

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

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Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies

(a) Statement of compliance

The financial report is a general-purpose financial report for the period ending 30 June 2015, which has been prepared in accordance with Australian Accounting Standards, including Interpretations (AASs) and the Corporations Act 2001. AASs include Australian equivalents to International Financial Reporting Standards.

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

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 23.

The annual financial statements were authorised for issue by the Directors of Agriculture Victoria Services Pty Ltd on 27 August 2015.

(b) Reporting entity

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

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

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

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

(c) Basis of preparation and measurement

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

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

Revisions to accounting estimates are recognised in the period in which the estimate is and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AASs that have significant effects on the financial statements and estimates relate to:

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

The financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention the exception of long term employee benefit provisions which are stated at the present value of estimated future cash flows and the revaluation of selected financial instruments for which the fair value basis of accounting has been applied.

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

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

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

The accounting policies set out below have been applied consistently in preparing the financial statements for the year ended 30 June 2015, the comparative information for the year ended 30 June 2014.

(d) Basis of consolidation

In accordance with *AASB 10 Consolidated Financial Statements*, the consolidated financial statements incorporates assets and liabilities of all reporting entities controlled by the Company as at 30 June 2015, and their income and expenses for that part of the reporting period in which control existed.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

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

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

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

(e) Scope and presentation of financial statements

Comprehensive operating statement

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

'Other economic flows' are changes arising from market remeasurements. They include gains and losses from disposals of non-financial assets; revaluations and impairments of non-financial

Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies (continued)

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

physical and intangible assets and remeasurement arising from defined benefit superannuation plans.

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

Balance Sheet

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

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

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

Cash Flow Statement

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

Statement of Changes in Equity

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

Rounding

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

(f) Changes in accounting policies

Subsequent to the 2013-14 reporting period, the following new and revised Standards have been adopted for the first time in the current period with their financial impacts disclosed.

AASB 10 Consolidated Financial Statements

AASB 10 provides a new approach to determine whether an entity has control over an entity, and therefore must present consolidated financial statements. The new approach requires the satisfaction of all three criteria for control to exist over an entity for financial reporting purposes:

(a) The investor has power over the investee;
(b) The investor has exposure, or rights to variable returns from its involvement with the investee; and
(c) The investor has the ability to use its power over the investee to affect the amount of investor's returns.

Based on the new criteria prescribed in AASB 10, the Company has reviewed the existing arrangements to determine if there are any additional entities that need to be consolidated into the group. The Company has concluded that no additional entity has met the control criteria.

AASB 11 Joint Arrangements

In accordance with AASB 11, there are two types of joint arrangements, i.e. joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportionate consolidation of joint ventures is no longer permitted.

The Company has reviewed its existing contractual arrangements with other entities and has concluded that no entity has met the joint arrangement criteria.

AASB 12 Disclosure of Interests in Other Entities

AASB 12 Disclosure of Interests in Other Entities prescribes the disclosure requirements for an entity's interests in subsidiaries, associates, joint arrangements and extends to the entity's association with unconsolidated structured entities.

The Company has disclosed information about its interests in subsidiaries in Note 7, including any significants judgement and assumptions used in determining the type of arrangements in which it has an interest.

The Company has also reviewed its current contractual arrangements to determine if there are any unconsolidated structured entities that the Company has involvement with. It has not identified any unconsolidated structured entities during the assessment.

(g) 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.

(h) Income tax

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

(i) Income from transactions

Amounts disclosed as income from transactions are recognised to the extent that it is probable that the economic benefits will flow to

Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies (continued)

(i) Income from transactions (continued)

the Company, can be reliably measured and, where applicable, net of returns, allowances and duties and taxes. Income is recognised for each of the Company's major activities as follows:

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

(j) Expenses from transactions

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

Employee expenses

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

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

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

Depreciation

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

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

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

Interest expense

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

Interest expense (excluding swap interest that is classified as an other economic flow) is recognised in the period in which it is incurred. Refer to Note 23 for an explanation of interest expense items.

Contract research and development project expense

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

Royalty expenses

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

Other operating expenses

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

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

(k) Other economic flows included in net result

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

Net gain/(loss) on non-financial assets

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

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

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

Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies (continued)

(k) Other economic flows included in net result (continued)

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

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

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

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes:

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

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

(l) Financial instruments

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

Loans and receivables

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

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

Available-for-sale financial assets

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

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

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

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

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

Financial assets and liabilities at fair value through profit and loss

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

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

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

Financial liabilities at amortised cost

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

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

Reclassification of financial instruments

Subsequent to initial recognition and under rare circumstances, non-derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category,

Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies (continued)

(l) Financial instruments (continued)

if they are no longer held for the purpose of selling or repurchasing in the near term.

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

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

(m) Financial assets

Cash and deposits

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

Receivables

Receivables consist of:

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

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

Other financial assets

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

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

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

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

Derecognition of financial assets

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

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

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

Impairment of financial assets

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

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

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

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

(n) Non-Financial assets

Plant and equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and if applicable, impairment losses (refer to note 1 (K)). Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

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

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

Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies (continued)

(n) Non-Financial assets (continued)

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

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

Intangible assets

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

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

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

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

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

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

Prepayments

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

(o) Liabilities

Payables

Payables consists of:

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

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

Borrowings

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

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

Provisions

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

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

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

- **Employee benefits**

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

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

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

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

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

Notes to the Financial Statements Year ended 30 June 2015

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

(o) Liabilities (continued)

(ii) Long service leave

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

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

The components of this current LSL liability are measured at:

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

Conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL liability is measured at present value.

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

- **Employee benefits on-costs**

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

(p) Leases

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

Finance Leases

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

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

(q) Commitments

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 15) at their nominal value and inclusive of the GST payable.

(r) Contingent Liabilities

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

(s) Foreign currency transactions

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

(t) Reclassification of financial information

Salary accruals have been reclassified from provisions to accrued expenses as a result the comparatives have been restated for 2013-14. The Balance Sheet and Notes 10, 11, 17, 18 have been amended accordingly.

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

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The Company assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2015, there are a number of standards and interpretations that had been issued but were not mandatory for financial year ending 30 June 2015. The Company has not, and does not intend to, adopt these standards early.

Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies (continued)

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

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 9 *Financial Instruments*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 14 *Regulatory Deferral Accounts #*	AASB 14 permits first-time adopters of Australian Accounting Standards who conduct rate-regulated activities to continue to account for amounts related to rate regulation in accordance with their previous GAAP.	1 Jan 2016	The assessment has indicated that there is no expected impact , as those that conduct rate-regulated activities have already adopted Australian Accounting Standards.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2017 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.
AASB 1056 *Superannuation Entities #*	AASB 1056 replaces AAS 25 *Financial Reporting by Superannuation Plans.* The standard was developed in light of changes in recent years, developments in the superannuation industry and Australia's adoption of IFRS. Some of the key changes in AASB 1056 include: • the level of integration between AASB 1056 and other AASB standards • a revised definition of a superannuation entity • revised and consistent content for the financial statements • use of fair value rather than net market value for measuring assets and liabilities • revised member liability recognition and measurement requirements • revised disclosure principles	1 July 2016	The assessment has indicated that there will be no impact on the entity, as the Accounting Standard only affects superannuation entities' own reporting.

Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies (continued)

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

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2014 1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014 4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]*	Amends AASB 116 *Property, Plant and Equipment and AASB 138 Intangible Assets to:* • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014 9 *Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]*	Amends AASB 127 *Separate Financial Statements* to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.
AASB 2014 10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]*	AASB 2014-10 amends AASB 10 *Consolidated Financial Statements and AASB 128 Investments in Associates* to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: • a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and • a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.

Notes to the Financial Statements Year ended 30 June 2015

1. Summary of Significant Accounting Policies (continued)

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

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 2015 6 *Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]*	The Amendments extend the scope of AASB 124 *Related Party Disclosures* to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2014-15 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014-1 Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only] #
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127, AASB 128] #
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128] #

Note:

This Standard or Amendment may not be relevant to Victorian not-for-profit entities when operative.

Notes to the Financial Statements Year ended 30 June 2015

2. Income from transactions

		Consolidated		The Company	
		2015	2014	2015	2014
		$	$	$	$
(a)	**Revenue from rendering services and royalties**				
	Rendering services	12,100,507	10,697,667	12,109,921	10,702,524
	Royalty income	7,742,400	5,778,664	7,742,400	5,778,664
	Total revenue from rendering services and royalties	**19,842,907**	**16,476,331**	**19,852,321**	**16,481,188**
(b)	**Interest**				
	Interest on bank deposits	645,533	526,905	635,581	513,508
	Total interest	**645,533**	**526,905**	**635,581**	**513,508**
(c)	**Grants**				
	Export market development grant	-	28,526	-	-
	Total grants	**-**	**28,526**	**-**	**-**
	Total income from transactions	**20,488,440**	**17,031,762**	**20,487,902**	**16,994,696**

3. Expenses from transactions

(a)	**Employee expenses**				
	Salaries, wages and annual and long service leave	1,274,854	467,836	1,274,854	467,836
	Defined contribution superannuation expense	159,424	57,355	159,424	57,355
	Defined benefit superannuation expense	26,090	-	26,090	-
	Total employee expenses	**1,460,368**	**525,191**	**1,460,368**	**525,191**
(b)	**Depreciation**				
	Plant equipment and vehicles	38,045	24,372	38,045	24,372
	Intangible produced assets	241,255	243,884	241,255	243,884
	Total depreciation	**279,300**	**268,256**	**279,300**	**268,256**
(c)	**Interest expense**				
	Interest on finance lease	950	-	950	-
	Total interest expense	**950**	**-**	**950**	**-**
(d)	**Operating expenses**				
	Contract research and development project expenses	9,126,057	9,408,169	9,096,057	9,308,169
	Royalty expenses	5,289,872	4,468,294	5,289,872	4,468,294
	Patent expenses	1,489,397	890,081	1,433,440	848,126
	Rent and utilities	229,375	77,000	229,375	77,000
	Insurance	112,104	108,307	112,104	108,307
	Legal	72,933	80,677	72,633	80,677
	Consultants	34,511	50,732	34,511	50,732
	Audit services	58,077	52,970	51,777	46,870
	Other borrowing costs (other than interest)	2,035	-	2,035	-
	Other operating expenses	278,855	169,731	278,482	207,382
	Total operating expenses	**16,693,216**	**15,305,961**	**16,600,286**	**15,195,557**
	Total expenses from transactions	**18,433,834**	**16,099,408**	**18,340,904**	**15,989,004**

Notes to the Financial Statements Year ended 30 June 2015

4. Other economic flows included in net results

		Consolidated		The Company	
		2015 $	2014 $	2015 $	2014 $
(a)	**Net gain/(loss) on non-financial assets**				
	Impairment of intangible assets	(237,190)	(157,495)	(237,190)	(157,495)
	Net gain/(loss) on disposal of plant and equipment	(49)	1,165	(49)	1,165
	Total net gain/(loss) on non-financial assets	**(237,239)**	**(156,330)**	**(237,239)**	**(156,330)**
(b)	**Net gain/(loss) on financial instruments**				
	Net gain arising from sale/wind-up of available for sale financial assets	-	-	-	500
	Net FX gain/(loss) arising from foreign cash and transactions	(1,829)	(3,706)	(1,829)	(3,706)
	Total net gain/(loss) on financial instruments	**(1,829)**	**(3,706)**	**(1,829)**	**(3,206)**
(c)	**Other gain /(losses)from other economic flows**				
	Net gain/(loss) arising from revaluation of long service leave liability[(i)]	(3,008)	(158)	(3,008)	(158)

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

5. Receivables

	Consolidated 2015 $	Consolidated 2014 $	The Company 2015 $	The Company 2014 $
Current receivables				
Contractual				
Sale of services and royalties[(i)]	239,425	171,307	239,425	171,307
Provision for doubtful receivables	-	(1,114)	-	(1,114)
Accrued interest income	119,691	23,225	119,528	22,351
Other receivables[(i)]	241,118	109,812	241,118	109,811
Amounts owed from related entities	4,281	66,255	4,672	66,255
	604,515	369,485	604,743	368,611
Statutory				
GST input tax credit recoverable	464,301	256,429	463,973	255,991
Total current receivables	**1,068,816**	**625,914**	**1,068,716**	**624,602**

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

(a) Movement in the provision for doubtful receivables

	2015 $	2014 $
Balance at beginning of the year	**(1,114)**	**(1,114)**
Reversal of provision of receivables written off during the year as uncollectable	1,114	-
Balance at end of year	**-**	**(1,114)**

(b) Ageing analysis of receivables

Please refer to table 17.2 in note 17 for the aging analysis of receivables.

(c) Nature and extent of risks arising from receivables

Please refer to Note 17 for the nature and extent of risk arising from receivables.

Notes to the Financial Statements Year ended 30 June 2015

6. Other financial assets

	Consolidated		The Company	
	2015 $	2014 $	2015 $	2014 $
Non-current				
Available-for-sale				
Investments in unlisted controlled entities at cost [(i)]	-	-	855,002	855,002
	-	-	855,002	855,002

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

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

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

7. Interests in subsidiary entities

Particulars in relation to controlled entities:

	Ordinary Share Consolidated Entity Interest	
	2015 %	2014 %
Parent entity		
Agriculture Victoria Services Pty Ltd		
Controlled entities		
Phytogene Pty Ltd	100	100

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

8. Plant and equipment

Table 8.1 Carrying amounts

	2015 $	2014 $
Plant, equipment and vehicles at fair value	96,344	70,656

Table 8.2 Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $
Plant, equipment and vehicles at fair value	175,899	106,980	79,555	36,324	96,344	70,656

Table 8.3 Movements carrying amounts

	Plant, equipment and vehicles at fair value	
	2015 $	2014 $
Opening balance	**70,656**	**77,268**
Addition	63,782	36,323
Disposal	(49)	(18,563)
Depreciation	(38,045)	(24,372)
Closing balance	**96,344**	**70,656**

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

Notes to the Financial Statements Year ended 30 June 2015

8. **Plant and equipment** (continued)

Table 8.4 Fair value measurement hierarchy for assets as at 30 June 2015

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

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

Table 8.5 Fair value measurement hierarchy for assets as at 30 June 2014

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

There have been no transfers between levels during the period.

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

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

There were no changes in valuation techniques throughout the period to 30 June 2015.

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

Table 8.6 Description of significant unobservable inputs to level 3 valuations

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**	**Sensitivity of fair measurement to changes in unobservable inputs**
Vehicles, plant and equipment	Depreciated replacement cost	Cost per unit	$19,800 per unit (vehicles) $80-$1300 per unit (plant and equipment)	A significant increase or decrease in cost per unit would result in a significant higher or lower fair value.
		Useful life of vehicles, plant and equipment	2-5 years	A significant increase or decrease in the estimated useful life of the asset would result in a significant higher or lower valuation.

Notes to the Financial Statements Year ended 30 June 2015

9. Intangible assets

	Oilseed development program (i)		Juncea Oilseeds (i)		HOLL Oilseeds (i)		Computer Software		Total	
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $
Gross carrying amount										
Opening balance	**1,506,677**	1,506,677	**560,000**	560,000	**300,000**	300,000	**15,796**	15,796	**2,382,473**	2,382,473
Additions	-	-	**-**	-	**-**	-	**-**	-	**-**	-
Disposals	-	-	**-**	-	**-**	-	**-**	-	**-**	-
Closing balance	**1,506,677**	1,506,677	**560,000**	560,000	**300,000**	300,000	**15,796**	15,796	**2,382,473**	2,382,473
Accumulated amortisation and impairment										
Opening balance	**(1,130,008)**	(941,673)	**(346,987)**	(155,892)	**(101,424)**	(83,424)	**(14,476)**	(10,527)	**(1,592,895)**	(1,191,516)
Amortisation	**(188,335)**	(188,335)	**(33,600)**	(33,600)	**(18,000)**	(18,000)	**(1,320)**	(3,949)	**(241,255)**	(243,884)
Impairment losses charged to net result (ii)	**(57,777)**	-	**(179,413)**	(157,495)	**-**	-	**-**	-	**(237,190)**	(157,495)
Closing balance	**(1,376,120)**	(1,130,008)	**(560,000)**	(346,987)	**(119,424)**	(101,424)	**(15,796)**	(14,476)	**(2,071,340)**	(1,592,895)
Net book value at end of financial year	**130,557**	376,669	**-**	213,013	180,576	198,576	**-**	1,320	**311,133**	789,578

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

Notes:

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

(ii) Impairment losses are included in the line item ‘net gain/(loss) on non-financial assets’ in the comprehensive operating statement.

Notes to the Financial Statements Year ended 30 June 2015

10. Payables

	Consolidated		The Company	
	2015 $	2014 $	2015 $	2014 $
Current payables				
Contractual				
Supplies and services (i)	142,233	35,857	135,116	35,857
Amounts payable to the Department	6,600,984	11,544,670	6,600,984	11,544,669
Amounts payables to subsidiary entity	-	-	390	-
Other payables and accrued expenses	864,243	1,068,501	857,585	1,056,139
	7,607,460	12,649,028	7,594,075	12,636,665
Statutory				
GST Payable	103,371	32,977	103,371	32,977
Total current payables	**7,710,831**	**12,682,005**	**7,697,446**	**12,669,642**

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

(a) Maturity analysis of contractual payables
Please refer to Table 17.3 in Note 17 for the aging analysis of payables.

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

11. Borrowings

	Consolidated		The Company	
	2015 $	2014 $	2015 $	2014 $
Current borrowings				
Finance lease liabilities(i)	24,035	-	24,035	-
Total current borrowings	**24,035**	**-**	**24,035**	**-**

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

(a) Maturity analysis of borrowings
Please refer to Table 17.3 in Note 17 for the maturity analysis of borrowings.

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

Notes to the Financial Statements Year ended 30 June 2015

12. Provisions

	Consolidated		The Company	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Current provisions				
Employee benefits (Note 12(a))[i]				
Annual leave and executive bonuses				
Unconditional and expected to be settled within 12 months[ii]	126,227	39,878	126,227	39,878
Long service leave				
Unconditional and expected to be settled within 12 months[ii]	156,280	-	156,280	-
Unconditional and expected to be settled after 12 months[ii]	128,841	72,036	128,841	72,036
	411,348	111,914	411,348	111,914
On-costs				
Unconditional and expected to be settled within 12 months[ii]	28,161	2,048	28,161	2,048
Unconditional and expected to be settled after 12 months[ii]	13,876	7,593	13,876	7,593
	42,037	9,641	42,037	9,641
Total current provisions	**453,385**	**121,555**	**453,385**	**121,555**
Non current				
Employee benefits	51,174	7,997	51,174	7,997
On-costs	5,511	843	5,511	843
Total non current provisions	**56,685**	**8,840**	**56,685**	**8,840**
Total provisions	**510,070**	**130,395**	**510,070**	**130,395**

Notes:

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

(ii) Amounts are measured at present value.

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

	Consolidated 2015 $	Consolidated 2014 $	The Company 2015 $	The Company 2014 $
Current employee benefits				
Annual leave	126,227	39,878	126,227	39,878
Long service leave	285,121	72,036	285,121	72,036
	411,348	111,914	411,348	111,914
Non-current employee benefits				
Long service leave	51,174	7,997	51,174	7,997
Total employee benefits	**462,522**	**119,911**	**462,522**	**119,911**
Current on-costs	42,037	9,641	42,037	9,641
Non-current on-costs	5,511	843	5,511	843
Total on-costs	**47,548**	**10,484**	**47,548**	**10,484**
Total employee benefits and on-costs	**510,070**	**130,395**	**510,070**	**130,395**

(b) Movement in provisions

	Consolidated 2015 $	Consolidated 2014 $	The Company 2015 $	The Company 2014 $
Opening balance	**130,395**	**153,486**	**130,395**	**153,486**
Additional provision recognised	148,343	62,719	148,343	62,719
Additions due to transfers in	339,537	-	339,537	-
Reduction arising from payments	(148,158)	(85,925)	(148,158)	(85,925)
Reductions resulting from settlement without cost				
Effect of changes in discount rate	39,953	115	39,953	115
Closing balance	**510,070**	**130,395**	**510,070**	**130,395**
Current	453,385	121,555	453,385	121,555
Non-current	56,685	8,840	56,685	8,840
	510,070	**130,395**	**510,070**	**130,395**

Notes to the Financial Statements Year ended 30 June 2015

13. Superannuation

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

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

There were no unfunded liabilities at the 30 June 2015, no contributions were outstanding at the end of the year nor were there any loans to the entity from the scheme.

Contributions to superannuation were as follows:

	Consolidated		The Company	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Direct benefit plans:				
State Superannuation Fund – and new	26,090	-	26,090	-
Defined contribution plans:				
VicSuper	98,225	43,582	98,225	43,582
Other	61,199	13,771	61,199	13,771
Total	**185,514**	**57,353**	**185,514**	**57,353**

14. Leases

Finance leases

Leasing arrangements

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

	Minimum future lease payments		Present value of minimum future lease payment	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Not longer than one year	24,733	-	24,733	-
Longer than one year and not longer than five years	-	-	-	-
Minimum lease payments				
Less: future finance charges	(698)	-	(698)	-
Present value of minimum lease payments	**24,035**	**-**	**24,035**	**-**
Included in the financial statements as:				
Current borrowings lease liability (Note 11)			24,035	-
Non-current borrowings lease liability (Note 11)			-	-
			24,035	**-**

15. Commitments for expenditure

(a) Investment Expenditure Commitments

There are no investment expenditure commitments as at 30 June 2015.

(b) Capital commitments

There are no capital commitments as at 30 June 2015.

16. Contingent liabilities

There are no contingent liabilities as at 30 June 2015 (2014: Nil).

Notes to the Financial Statements Year ended 30 June 2015

17. Financial instruments

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

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

Table 17.1: Categorisation of financial instruments for the consolidated entity

			Consolidated		Company	
Financial asset	**Note**	**Category**	**Carrying amount**		**Carrying amount**	
			2015 $	**2014 $**	**2015 $**	**2014 $**
Cash and deposits	18a	Cash	20,230,733	22,975,812	19,842,283	22,497,204
Receivables[(i)]	5	Loans and receivables (at amortised cost)	604,515	369,485	604,743	368,611
Other financial assets	6	Available for sale financial assets (at fair value)	-	-	855,002	855,002

			Consolidated		Company	
Financial liabilities	**Note**	**Category**	**Carrying amount**		**Carrying amount**	
			2015 $	**2014 $**	**2015 $**	**2014 $**
Payables[(i)]	10	Financial liabilities (at amortised cost)	7,607,460	12,649,028	7,594,075	12,636,665
Finance lease liabilities	11	Financial liabilities (at amortised cost)	24,035	-	24,035	

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

(a) Credit risk

Credit risk arises from the financial assets of the consolidated entity, which comprise cash and deposits, non-statutory receivables and available-for-sale financial assets.

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

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

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

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

The entity's maximum exposure to credit risk without taking into account the value of any collateral obtained is the carrying amount of financial assets as detailed in Table 17.1.

Contractual financial assets that are either past due or impaired

Impaired financial assets are detailed in table 17.2. Currently the consolidated entity does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

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

Notes to the Financial Statements Year ended 30 June 2015

17. Financial instruments (continued)

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

2015	Weighted average effective interest rate %	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but not impaired			Impaired financial assets
			Fixed interest rate	Variable interest rate	Non interest bearing		1- 3 months	3 months - 1 year	> 1 year	
Cash at bank	0.05	606,781	-	606,781	-	606,781	-	-	-	-
Deposits at call	2.42	239,939	-	239,939	-	239,939	-	-	-	-
Deposits < 60 days	2.56	19,384,013	335,000	19,049,013	-	19,384,013	-	-	-	-
Receivables(i)	-	604,515	-	-	604,515	567,776	36,739	-	-	-
		20,835,248	335,000	19,895,733	604,515	20,798,509	36,739	-	-	-
2014										
Cash at bank	0.05	451,561	-	451,561	-	451,561	-	-	-	-
Deposits at call	2.45	9,957,301	-	9,957,301	-	9,957,301	-	-	-	-
Deposits < 30 days	2.64	12,566,950	400,000	12,166,950	-	12,566,950	-	-	-	-
Receivables(i)	-	369,485	-	-	369,485	315,912	53,573	-	-	-
		23,345,297	400,000	22,575,812	369,485	23,291,724	53,573	-	-	-

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

(b) Liquidity risk

Liquidity risk arises when the consolidated entity is unable to meet its financial obligations as they fall due. The consolidated entity operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, make payments within 30 days from the date of resolution. It also continuously manages risk through monitoring future cash flows and maturities planning to ensure adequate holding of high quality liquid assets and dealing in highly liquid markets.

The consolidated entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from cash and cash equivalents.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities except as detailed in the following Table 17.2.

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

Notes to the Financial Statements Year ended 30 June 2015

17. Financial instruments (continued)

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

			Interest rate exposure				Maturity dates			
2015	Weighted average effective interest rate %	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing	Nominal amount	Current	1- 3 months	3 months - 1 year	> 1 year
Payables:										
Supplies and services		142,233	-	-	142,233	142,233	141,939	294	-	-
Amounts payable to the Department		6,600,984	-	-	6,600,984	6,600,984	6,577,664	23,320	-	-
Other payables		864,243	-	-	864,243	864,243	864,243	-	-	-
Borrowings:										
Finance lease liabilities	4.50	24,035	24,035	-	-	24,035	921	1,843	21,271	-
		7,631,495	24,035	-	7,607,460	7,631,495	7,584,767	25,457	21,271	-
2014										
Payables:										
Supplies and services		35,857	-	-	35,857	35,857	6,504	29,023	-	330
Amounts payable to the Department		11,544,670	-	-	11,544,670	11,544,670	11,467,670	77,000	-	-
Other payables		1,068,501	-	-	1,068,501	1,068,501	1,068,501	-	-	-
Borrowings:										
Finance lease liabilities	-	-	-	-	-	-	-	-	-	-
		12,649,028	-	-	12,649,028	12,649,028	12,542,675	106,023	-	330

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

(c) Market risk

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

Foreign currency risk

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

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

Interest rate risk

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

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

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

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

Sensitivity disclosure analysis and assumptions

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

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

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

Notes to the Financial Statements Year ended 30 June 2015

17. Financial instruments (continued)

Table 17.4 Market risk exposure for the consolidated entity

2015	Carrying amount	Foreign exchange risk		Interest rate risk	
		-15%	+15%	-1%	+1%
		Net result	Net result	Net result	Net result
Financial assets					
Cash and deposits	20,230,733	-	-	(202,307)	202,307
Receivables(i)	604,515	-	-	-	
Other financial assets	-	-	-	-	-
Financial liabilities					
Payables(i)	7,607,460	-	-	-	-
Finance lease liabilities	24,035	-	-	-	-
Total increase/(decrease)		**-**	**-**	**(202,307)**	**202,307**
2014	Carrying amount	Foreign exchange risk		Interest rate risk	
		-15%	+15%	-1%	+1%
		Net result	Net result	Net result	Net result
Financial assets					
Cash and deposits	22,975,812	-	-	(229,758)	229,758
Receivables(i)	369,485	-	-	-	-
Other financial assets	-	-	-	-	-
Financial liabilities					
Payables(i)	12,649,028	(4,057)	4,057	-	-
Finance lease liabilities	-	-	-	-	-
Total increase/(decrease)		**(4,057)**	**4,057**	**(229,758)**	**229,758**

Notes:

(i) The carrying amounts disclosed exclude statutory amounts.

(d) Fair value

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

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

The consolidated entity considers the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a reasonable approximation of their fair value, either due to their short term nature or with the expectation that they will be paid in full.

No financial assets and financial liabilities are readily traded on organised markets.

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

Notes to the Financial Statements Year ended 30 June 2015

17. Financial instruments (continued)

Table 17.5 Comparison between carrying amount and fair value

	Carrying amount 2015	Fair value 2015	Carrying amount 2014	Fair value 2014
	$	$	$	$
Financial assets				
Cash at bank	606,781	606,781	451,561	451,561
Deposits at call	239,939	239,939	9,957,301	9,957,301
Deposits < 60 days	19,384,013	19,384,013	12,566,950	12,566,950
Receivables	604,515	604,515	369,485	369,485
Total Financial Assets	**20,835,248**	**20,835,248**	**23,345,297**	**23,345,297**
Financial liabilities				
Supplies and services [(i)]	142,233	142,333	35,857	35,857
Amounts payable to the Department	6,600,984	6,600,984	11,544,670	11,544,670
Other payables	864,243	864,243	1,068,501	1,068,501
Finance lease liabilities	24,035	24,035	-	-
Total Financial Liabilities	**7,631,495**	**7,631,495**	**12,649,028**	**12,649,028**

Notes:

(i) The carrying amounts disclosed exclude statutory amounts.

18. Cash flow information

(a) Reconciliation of cash and deposits

	Consolidated		The Company	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Cash at bank and on hand	606,781	451,561	583,252	447,234
Deposits at call	239,939	9,957,301	210,018	9,883,019
Deposits < 60 days	19,384,013	12,566,950	19,049,013	12,166,951
Cash and deposits	**20,230,733**	**22,975,812**	**19,842,283**	**22,497,204**

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

Net result for the period	1,812,530	772,160	1,904,922	845,998
Non-cash movements				
Depreciation and amortisation	279,300	268,256	279,300	268,256
(Gain)/loss on sale of plant and equipment	49	(1,165)	49	(1,165)
(Gain)/loss on sale of available-for-sale financial assets	-	-	-	(500)
Impairment loss/(reversal) of intangible assets	237,190	157,495	237,190	157,495
Movements in assets and liabilities				
(Increase)/decrease in receivables	(442,902)	596,979	(444,114)	600,662
Increase/(decrease) in payables	(4,971,174)	3,777,264	(4,972,196)	3,855,579
Increase/(decrease) in provisions	379,675	(23,091)	379,675	(23,091)
Increase/(decrease) in other liabilities	24,035	-	24,035	-
Net cash from/(used in) operating activities	**(2,681,297)**	**5,547,898**	**(2,591,139)**	**5,703,234**

Notes to the Financial Statements Year ended 30 June 2015

19. Responsible persons

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

Dr. C. Noble (Chairman)	1 July 2014 to 30 June 2015	Dr. J Slocombe	1 July 2014 to 30 June 2015
Mr. P Turvey	1 July 2014 to 30 June 2015	Ms. K. Adams	1 July 2014 to 30 June 2015
Mr. J Flintoft	1 July 2014 to 30 June 2015	Mr. A Christianen	1 July 2014 to 30 June 2015

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

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

	Consolidated		The Company	
	2015 $	2014 $	2015 $	2014 $
Fees	90,781	72,484	90,781	72,484
Superannuation	8,624	6,705	8,624	6,705
	99,405	79,189	99,405	79,189

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

	Consolidated		The Company	
	2015 $	2014 $	2015 $	2014 $
$0 - $9,999	2	3	1	2
$10,000 - $19,999	4	4	4	4
$20,000 - $29,999	1	-	1	-
	7	7	6	6

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

Executive Remuneration
The persons who held the position of Accountable Officer in the Company is as follows:

Mr. Bruce Lang	Chief Executive Officer	1 July 2014 to 30 June 2015

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

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

	Total Remuneration		Base Remuneration	
	2015 $ No.	2014 $ No.	2015 $ No.	2014 $ No.
$170,000 - $179,999	-	-	2	1
$180,000 - $189,999	2	1	-	-
Total number of executives	2	1	2	1

Notes to the Financial Statements Year ended 30 June 2015

20. Related party disclosure

Details of the directors' remuneration and retirement benefits are set out in Note 19.
Other than where set out in Note 19, there were no transactions of a financial nature between the Company and its directors during the reporting period.

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

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

For the year ended 30 June, 2015 the Victorian Government Department of Economic Development, Jobs Transport and Resources was the major supplier of services to the Company. These services were provided on a normal commercial basis. The value of transactions between the Company and related parties for the financial year were as follows:

	Consolidated		The Company	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Revenues				
Received from Department	2,871,130	1,330,700	2,871,130	1,330,700
Received from wholly owned controlled entities	-	-	9,414	4,858
Expenses				
Paid to Department	9,659,719	10,473,848	9,659,719	10,394,480
Paid to wholly owned controlled entities	-	-	-	41,868

21. Remuneration of auditors

	Consolidated		The Company	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
External Audit Services				
Victorian Auditor General's Office				
Audit of the Financial Report	38,400	37,400	32,100	31,300
	38,400	37,400	32,100	31,300
Internal Audit Services				
HLB Mann Judd Pty Ltd	19,677	15,570	19,677	15,570
	58,077	**52,970**	**51,777**	**46,870**

22. Subsequent events

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

Notes to the Financial Statements Year ended 30 June 2015

23. Glossary

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

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

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

Comprehensive result
The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

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

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

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

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

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

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

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

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

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

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

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

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

Net result
Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

Notes to the Financial Statements Year ended 30 June 2015

23. Glossary (continued)

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

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

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

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

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

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

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

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

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

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for a government department in the 2014-15 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Company's annual reports.

Directors' Declaration

The Directors of the Company declare that:

(1) The financial statements and notes, have been prepared in accordance with the Corporations Act 2001 and:
   a) Comply with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements; and
   b) Give a true and fair view of the financial position and performance of the Company and Consolidated Entity as at 30 June 2015, as set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

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

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

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

Director: Dr Judith Slocombe	Director: Mr Antony Christianen
01 September 2015	01 September 2015

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Directors of Agriculture Victoria Services Pty Ltd

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of Agriculture Victoria Services Pty Ltd which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the Director's declaration has been audited. The financial report includes the consolidated financial statements of the consolidated entity, comprising Agriculture Victoria Services Pty Ltd and Phytogene Pty Ltd.

The Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independent Auditor's Report (continued)

Independence

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

Opinion

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

a) giving a true and fair view of the company's and the consolidated entity's financial position as at 30 June 2015 and their financial performance for the year ended on that date

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

T McQuald

MELBOURNE
8 September 2015

for John Doyle
Auditor-General

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