Phytogene Pty Ltd
Annual Report
2019

Company Information

Directors
Mr PRE Turvey (Chairman)
Dr CL Noble
Prof GC Spangenberg

Executive Officer
Mr DC Liesegang

Chief Scientific Officer
Prof GC Spangenberg

Company Secretary
Mr SM Cagney
Mr BG Lang (from 28 June 2019)

Registered Office
5 Ring Road
Bundoora, VIC 3083
Telephone (03) 9032 7676

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

Bankers
Commonwealth Bank of Australia
499 St Kilda Road
Melbourne, VIC 3004

Treasury Corporation of Victoria
Level 12, 1 Collins Street
Melbourne, VIC 3000

Acknowledgements
Front cover: Photograph of alfalfa, courtesy of iStock image bank.

PHYTOGENE

Phytogene ACN 098 823 235
Phytogene ABN 45 098 823 235

Contents

Company profile

Phytogene Pty Ltd is a wholly owned subsidiary company of Agriculture Victoria Services Pty Ltd (AVS).

Phytogene's purpose is to commercialise a proprietary and patented delayed plant leaf senescence technology, with the trade mark LXR®. The technology has a wide range of potential applications for major plant crops by increasing dry matter production, seed yield and drought tolerance.

Phytogene also holds the exclusive commercialisation rights to another, complementary yield-enhancing trait – biomass enhancement technology (BET) – which was developed by Agriculture Victoria Research (AVR) and former Molecular Plant Breeding Cooperative Research Centre (CRC).

AVS share capital investment and early stage licence revenues fund Phytogene's ongoing operations.

The responsible Minister for the period from July 2018 to December 2018 was the Hon Jaala Pulford MP, Minister for Agriculture and the responsible Minister for the period December 2018 to June 2019 was the Hon Jaclyn Symes MP, Minister for Agriculture.

Glasshouse and field trial results to date have provided proof of concept for LXR® in the dicotyledonous species alfalfa, canola and white clover. Proof of concept in a monocotyledonous species has been demonstrated in wheat through extensive field trials of the LXR® and BET trait technologies. The trials were conducted by AVR for Phytogene in 2014–15 and 2015–16. Results from the LXR®-BET wheat field trials showed yield gains that ranged between 10 and 30 per cent in irrigated conditions and up to 60 per cent under drought (rain-fed) conditions.

Performance summary

In 2018–19, Phytogene's LXR® alfalfa licensee, the Instituto de Agrobiotecnología de Rosario (INDEAR), conducted re-transformation work on selected LXR® alfalfa events for its introgression into locally and commercially relevant, proprietary alfalfa varieties, in order to increase the LXR® gene dosage. This follows completion of regulatory trials in Argentina by INDEAR to support an application for regulatory approval for the planned future commercial release of LXR® alfalfa in Argentina.

INDEAR is also conducting LXR® alfalfa triple-trait product development pursuant to a licence agreement recently signed with Phytogene. This is expected to support the value proposition of the LXR® technology in South America, particularly in Brazil, where the presence of acidic soils (which leads to aluminium toxicity) is a likely barrier to broadacre alfalfa cultivation in southern cattle-producing regions.

In 2018–19, INDEAR completed the design of DNA constructs for commencing the development of the triple-trait stacked LXR® alfalfa product, incorporating the LXR® yield enhancement, alfalfa mosaic virus-resistance and aluminium tolerance, for regulatory approval and future commercial release by INDEAR in Argentina, Uruguay and Brazil.

In 2018–19, the Faculty of Agronomy of the University of Buenos Aires (FAUBA) in Argentina, under licence with Phytogene, undertook plant multiplication in readiness for the commencement of field and animal performance trials of high-energy BET ryegrass events introgressed into local and commercially relevant ryegrass varietal backgrounds. These trials will assess the effect of BET in perennial ryegrass under a dairy grazing regime with sheep and cattle and inform a prospective application for regulatory approval for future commercial release in Australia (should legislation permit).

Phytogene continues to maintain a low-cost structure while it builds value in its technology and seeks further commercial opportunities, particularly in crops of strategic importance to Victoria.

As a result, Phytogene has been able to meet the operating loss of $63,238 from its own internal cash resources.

Internal cash reserves provide sufficient funds to support Phytogene's operations for at least the next three years, up until royalty income from licensing activities is projected to commence and ensure the company's ongoing financial viability.

Board of directors

For the year ended 30 June 2019:

Mr Peter Turvey (Chairman)

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. 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 was also responsible for the protection and licensing of CSL's intellectual property and for risk management within CSL.

Dr Clive Noble PSM (Director)

BAgrSci (Hons), PhD, FIPAA, GAICD

Clive is managing director of AgInsight Pty Ltd, a consulting firm that provides science and technology advice to government, industry, universities and the private sector. 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 is the chairman of Phytogene's parent company, AVS.

Prof German Spangenberg FTSE, PSM (Director)

Ing. Agr., Dr rer nat, PD

German is Head of Agriculture Victoria Research in Agriculture Victoria, professor (Plant Genetics and Genomics) and head of School of Applied Systems Biology at La Trobe University, and director of AgriBio, Centre for AgriBioscience. German previously held positions as assistant professor and associate professor at the ETH Zurich where he obtained his DSc in AgriBiotechnology, before joining Agriculture Victoria in Melbourne. At Agriculture Victoria, he held positions as director, Plant Biotechnology Centre; research director, Plant Genetics and Genomics; executive director, Biosciences Research, deputy secretary, Agriculture Research as well as chief scientist of the Molecular Plant Breeding CRC and chief scientist of the Dairy Futures Cooperative Research Centre. In 2017, he was awarded the Public Service Medal for outstanding public service through scientific research programs in the agricultural sector in Victoria.

Legislative framework

The legislative framework that guides Phytogene's operations includes the following Commonwealth (Cth) and Victorian (Vic) Acts:

Corporations Act 2001 (Cth)

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

Public Administration Act 2004 (Vic)

The Public Administration Act incorporates a set of values and principles to support public administration and provides a framework designed to ensure effective and consistent governance across the entire Victorian public sector. The Victorian Public Sector Commission is established under the Act to support its administration and implementation. Phytogene's sole shareholder, 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 (Vic)

The Financial Management Act applies to Phytogene insofar as Phytogene is a Declared Body under Section 53A of the Act. This requires that the relevant Minister table the Company's annual report in Parliament on annual basis.

Audit Act 1994 (Vic)

The Audit Act provides for the conduct of efficient and effective financial audits of the Victorian public sector. Under this Act Phytogene is subject to annual audit by the Victorian Auditor-General's Office. At present the audit of Phytogene is conducted by McLean Delmo Bentleys under contract to the Auditor General of Victoria.

Privacy and Data Protection Act 2014 (Vic)

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

Protected Disclosure Act 2012 (Vic)

The Protected Disclosure Act was part of a package of integrity reforms introduced by the Victorian Government, which also established the Independent Broad-based Anti-Corruption Commission (IBAC). The Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

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

Phytogene and its parent AVS do not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct.

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

Phytogene and its parent AVS will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. They will also afford natural justice to the person who is the subject of the disclosure.

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

Legislative framework continued

Independent Broad-based Anti-Corruption Commission Victoria

Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Web: www.ibac.vic.gov.au
Email: (the above website provides for secure email disclosure process)
Mail: IBAC, GPO Box 24234, Melbourne VIC 3000

The Protected Disclosure Policy and Procedures are available on the AVS website at www.agvic.com.au.

Disclosures under the *Protected Disclosure Act 2012*

Disclosures	2018–19 number	2017–18 number
The number of disclosures made by an individual to the Department of Jobs, Precincts and Regions (DJPR) and notified to the Independent Broad based Anti corruption Commission		
Assessable disclosures	Nil	Nil

Directors' report

The directors of Phytogene Pty Ltd present their report for the year ended 30 June 2019, and the independent auditor's report thereon.

Directors

The directors of Phytogene at any time during or since the end of the financial year are:

- Mr PRE Turvey (Chairman)
- Dr CL Noble
- Prof GC Spangenberg

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Details of current directors, their qualifications and experience are set out on page 3.

The Company Secretary was Mr Shane Cagney from the start of the financial year to 28 June 2019. The Company Secretary has been Mr Bruce Lang from 28 June 2019 for the remainder, and since the end of the financial year.

Directors' meetings

The table below sets outs the number of directors' meetings held during the financial year and the number of meetings attended by each director. Four board meetings were held during the financial year.

	Board of Directors	
	No. of meetings attended	No. of meetings held
Dr CL Noble	4	4
Prof GC Spangenberg	4	4
Mr PRE Turvey	3	4

Principal activities

The principal activity of Phytogene during the financial year was to further develop and commercialise technologies associated with delayed plant senescence and biomass enhancement.

There were no significant changes in the nature of the activities or state of affairs of the Company during the financial year.

Financial performance

The comprehensive result for the Company for the financial year was a loss of $63,238 (2018: loss of $58,462).

Operational performance

The review of operations is provided in the Company performance summary on page 2.

Changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of Phytogene that occurred during the year under review.

Dividends

The directors have neither declared nor recommended a dividend for the year ended 30 June 2019. No dividend has been paid during the year ended 30 June 2019 (2018: nil).

Events subsequent to reporting date

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

Likely developments

The Company will continue to develop its technologies over the coming year and seek commercial opportunities related thereto.

Impact of legislation and other external requirements

In addition to the Corporations Act, Phytogene is required to comply with additional legislation. These are detailed on page 4.

Environmental legislation

Phytogene's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a state or territory in Australia.

Directors' interests

No director holds an interest in any Phytogene shares. The sole shareholder is AVS.

Indemnification and insurance of officers and auditors

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

Directors' report continued

Non-audit services

As required by the Victorian Auditor-General's Office, the auditor has not performed any services for the Company other than the audit and review of the financial statements.

Proceedings on behalf of the Company

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

Auditor-General's independence declaration

The Auditor-General's independence declaration is set out on page 12 and forms part of the directors' report for the financial year ended 30 June 2019.

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

Mr Peter Turvey
Chairman
23 August 2019

Dr Clive Noble
Director
23 August 2019

Annual financial statements 2018-19

Phytogene Pty Ltd (the Company) is a wholly owned subsidiary company of Agriculture Victoria Services Pty Ltd. The Company has presented its audited general purpose financial statements for the financial year ended 30 June 2019 in the following structure to provide users with the information about the Company's stewardship of resources entrusted to it.

Directors' declaration

In the opinion of the directors of Phytogene Pty Ltd (the Company):

1) The financial statements and notes are in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

b) complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

We authorise the attached financial statements for issue on 23 August 2019.

Mr Peter Turvey
Chairman
23 August 2019

Dr Clive Noble
Director
23 August 2019

Independent Auditor's Report

To the Directors of Phytogene Pty Ltd

Opinion	I have audited the financial report of Phytogene Pty Ltd (the company) which comprises the: • balance sheet as at 30 June 2019 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • director's declaration. In my opinion the financial report is in accordance with the *Corporations Act 2001* including: • giving a true and fair view of the financial position of the company as at 30 June 2019 and its financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Directors' responsibilities for the financial report	The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

MELBOURNE
28 August 2019

Simone Bohan
as delegate for the Auditor-General of Victoria

Auditor-General's Independence Declaration

To the Directors, Phytogene 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 Phytogene Pty Ltd for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

MELBOURNE
28 August 2019

Simone Bohan
as delegate for the Auditor-General of Victoria

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

Comprehensive operating statement

For the financial year ended 30 June 2019

	Notes	2019 $	2018 $
Continuing operations			
Income from transactions			
Interest	2	3,011	3,708
Total income from transactions		**3,011**	**3,708**
Expenses from transactions			
Operating expenses	3	66,249	62,170
Total expenses from transactions		**66,249**	**62,170**
Net result from transactions (net operating balance)		**(63,238)**	**(58,462)**
Other comprehensive Income			-
Comprehensive result		**(63,238)**	**(58,462)**

The accompanying notes form part of these financial statements.

Balance sheet

As at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Financial assets			
Cash and deposits	5.1	132,713	201,742
Receivables	4.1	1,105	1,459
Total financial assets		**133,818**	**203,201**
Liabilities			
Payables	4.2	10,455	16,600
Total liabilities		**10,455**	**16,600**
Net assets		**123,363**	**186,601**
Equity			
Share capital		855,002	855,002
Accumulated surplus/(deficit)		(731,639)	(668,401)
Net worth		**123,363**	**186,601**

The accompanying notes form part of these financial statements

Cash flow statement

For the financial year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts			
Receipts from operating activities		-	-
Interest received		2,962	3,710
GST received from the ATO [(a)]		3,094	2,258
Total receipts		**6,056**	**5,968**
Payments			
Payments to suppliers		(75,085)	(78,502)
Total payments		**(75,085)**	**(78,502)**
Net cash flows used in operating activities		**(69,029)**	**(72,534)**
Net decrease in cash and cash equivalents	5.1.1	**(69,029)**	**(72,534)**
Cash and cash equivalents at beginning of financial year		201,742	274,276
Cash and cash equivalents at end of financial year	5.1	**132,713**	**201,742**

The accompanying notes form part of these financial statements.
Notes: (a) GST received from the Australian Taxation Office is presented on a net basis.

Statement of changes in equity

For the financial year ended 30 June 2019

	Accumulated surplus/(deficit) $	Share capital $	Total $
Balance at 1 July 2017	**(609,939)**	**855,002**	**245,063**
Net result for the year	(58,462)	-	(58,462)
Other comprehensive income	-	-	-
Balance at 30 June 2018	**(668,401)**	**855,002**	**186,601**
Net result for the year	**(63,238)**	**-**	**(63,238)**
Other comprehensive income	-	-	-
Balance at 30 June 2019	**(731,639)**	**855,002**	**123,363**

The accompanying notes form part of these financial statement.

Notes to the financial statements

1. About this report

The financial statements cover Phytogene Pty Ltd (the Company) as an individual reporting entity. The Company is a private company, established on 13 November 2001. It is domiciled in Victoria, Australia.

The Company's registered office is at 5 Ring Road, Bundoora, VIC 3083, Australia.

The Company is a wholly owned subsidiary company of Agriculture Victoria Services Pty Ltd. The combination of the original shareholder's investment and payments received from licensees fund the operations.

The Company's purpose is to commercialise a proprietary and patented delayed plant leaf senescence technology.

A description of the nature of the Company's operations and its principal activities are included in the **Company profile and performance summary** section, which does not form part of these financial statements.

These financial statements were authorised for issue by the directors of Phytogene Pty Ltd on 19 August 2019.

1.1 Basis of preparation

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

The accrual basis of accounting has been applied in preparing 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.

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.

In preparing these financial statements, judgements, estimates and assumptions are required to be made about financial information presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the reporting periods in which the estimates are revised and also in future periods that are affected by the revision.

The accounting policies set out in the notes have been consistently applied by the Company throughout the reporting period.

1.2 Compliance information

The general purpose financial statements for the year ending 30 June 2019 have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board.

Accounting policies selected and applied in these financial statements ensure 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.

Notes to the financial statements continued

2. Funding delivery of our services

Introduction

The Company continues to maintain a low-cost structure while it builds value in the technology and seeks further commercial opportunities.

2.1 Summary of income that funds the delivery of our services

	2019 $	2018 $
Interest revenue		
Interest on bank deposits	3,011	3,708
Total interest revenue	**3,011**	**3,708**
Total revenue from continuing operations	**3,011**	**3,708**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured at fair value. Where applicable, amounts disclosed as income are net of returns, allowances and duties and taxes.

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

Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

Notes to the financial statements continued

3. The cost of delivering services

Introduction

This section provides an account of the expense incurred by the Company in delivering services and outputs.

In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

3.1 Expenses incurred in delivery of services

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:

	2019 $	2018 $
Audit expenses	7,000	6,800
Patent expense	58,724	53,254
Travel costs	-	-
Other operating expenses	525	2,116
Total operating expenses	**66,249**	**62,170**

Patent expenses include protection, prosecution and annual renewal of LXR® and BET and are recognised as an expense in the reporting period in which they are incurred.

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

Notes to the financial statements continued

4. Assets and liabilities

Introduction

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

4.1 Receivables

	2019 $	2018 $
Current receivables		
Contractual		
Accrued interest income	81	32
Statutory		
GST input tax credit recoverable	1,024	1,427
Total current receivables	**1,105**	**1,459**

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

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables but are not classified as financial instruments.

4.2 Payables

	2019 $	2018 $
Current payables		
Contractual		
Supplies and services	6,455	12,800
Accrued expenses	4,000	3,800
Total current payables	**10,455**	**16,600**

Payables consist of:

- **Contractual payables** classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid.

- **Statutory payables** that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

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

Notes to the financial statements continued

Maturity analysis of contractual payables for the Company [a]

	Carrying amount $	Nominal amount $	Less than 1 month $	Maturity dates 1–3 months $	3 months – 1 year $	1+ years $
2019						
Supplies and services	6,455	6,455	6,455	–	–	–
Other payables and accrued expenses	4,000	4,000	4,000	–	–	–
Total	**10,455**	**10,455**	**10,455**	**-**	**-**	**-**
2018						
Supplies and services	12,800	12,800	12,800	–	–	–
Other payables and accrued expenses	3,800	3,800	3,800	–	–	–
Total	**16,600**	**16,600**	**16,600**	**-**	**-**	**-**

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

Notes to the financial statements continued

5. Financing our operations

Introduction

This section provides information on the sources of finance utilised by the Company during its operations, and includes disclosures of balances that are financial instruments (such as cash balances). Notes 6.1 and 6.3 provide additional, specific financial instrument disclosures.

5.1 Cash flow information and balances

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

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

	2019 $	2018 $
Cash at bank and on hand	8,643	6,782
Deposits at call	14,044	9,960
Deposits < 90 days	110,026	185,000
Balance as per cash flow statement	**132,713**	**201,742**

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

	2019 $	2018 $
Net result for the period	**(63,238)**	**(58,462)**
Movements in assets and liabilities		
(Increase)/decrease in receivables	354	(858)
Increase/(decrease) in payables	(6,145)	(13,214)
Net cash flows from/(used in) operating activities	**(69,029)**	**(72,534)**

5.2 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. There are no commitments as at 30 June 2019 (2018: nil).

Notes to the financial statements continued

6. Risks, contingencies and valuation judgements

Introduction

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

6.1 Financial instruments specific disclosures

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

The Company's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables) and payables (excluding statutory payables).

From 1 July 2018, the Company applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms.

Categories of financial assets under AASB 9

Financial assets at amortised cost

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

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

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

The Company recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables).

Financial assets at fair value through other comprehensive income

The Company recognises debt investments at fair value through other comprehensive income if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Company to achieve its objective both by collecting the contractual cash flows and by selling the financial assets, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value with subsequent change in fair value in other comprehensive income.

Upon disposal of these debt instruments, any related balance in the fair value reserve is reclassified to profit or loss.

The company does not recognise any financial assets in this category in 2018/19 financial year (2017/18: Nil).

Financial assets at fair value through net result

Equity instruments that are held for trading as well as derivative instruments are classified as fair value through net result. Other financial assets are required to be measured at fair value through the net result unless they are measured at amortised cost or fair value through other comprehensive income as explained above.

The Company does not recognise any equity investments in this category in 2018–19 financial year (2017–18: nil).

Categories of financial assets previously under AASB 139

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities 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 (and for assets, less any impairment).

Notes to the financial statements continued

The Company recognises the following assets in this category:

- cash and deposits
- receivables (excluding GST input tax credit receivable).

Categories of financial liabilities under AASB 9 and previously under AASB 139
Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows.

Financial liabilities at amortised cost 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. The Company recognises the following liabilities in this category:

- payables (excluding statutory payables).

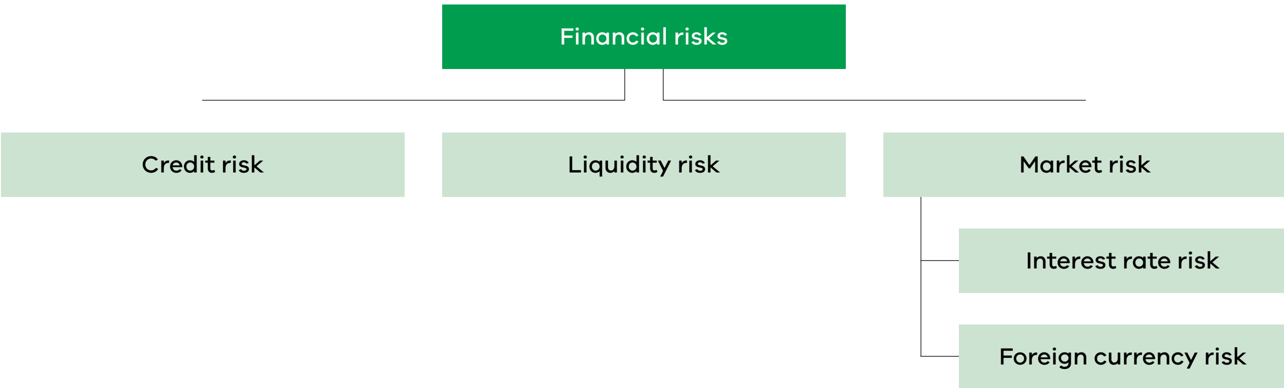
6.1.1 Financial instruments: categorisation

	2019				2018			
	Cash and deposits $	Financial assets at amortised cost (AC) $	Financial liabilities at amortised cost (AC) $	Total $	Cash and deposits $	Financial assets at amortised cost (AC) $	Financial liabilities at amortised cost (AC) $	Total $
Contractual financial assets								
Cash and deposits	132,713	-	-	132,713	201,742	-	-	201,742
Receivables [(a)]								
Accrued interest income	-	81	-	81	-	32	-	32
Total contractual financial assets		**81**	**-**	**132,794**	**201,742**	**32**	**-**	**201,774**
Contractual financial liabilities								
Payables [(a)]								
Supplies and services	-	-	6,455	6,455	-	-	12,800	12,800
Other payables	-	-	4,000	4,000	-	-	3,800	3,800
Other payables	**-**	**-**	**10,455**	**10,455**	**-**	**-**	**16,600**	**16,600**

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

Notes to the financial statements continued

6.1.2 Financial risk management objectives and policies



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

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 above are disclosed in Note 6.3.

The main purpose in holding financial instruments is to prudentially manage the Company's financial risks within the company policy parameters.

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

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

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

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

In addition, the Company does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Company's policy is to only deal with banks with high credit ratings.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Company will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments and changes in debtor credit ratings. When there is no reasonable expectation of recovery, the Company will write off contract financial assets against the carrying amount. Bad debts written off by mutual consent are classified as a transaction expense. Bad debts written off following a unilateral decision are recognised as other economic flows in the net result. There is no provision for impairment or bad debt written off by the Company in 2018–19.

The Company'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 6.1.1.

There has been no material change to the Company's credit risk profile in 2018–19.

Notes to the financial statements continued

Financial instruments: liquidity risk
Liquidity risk arises from being unable to meet financial obligations as they fall due. The Company operates under the government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, makes payments within 30 days of 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 Company is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet. The Company'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.

Financial instruments: market risk
The Company's exposures to market risk are primarily through interest rate risk and foreign currency risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has minimal exposure to cash flow interest rate risks through cash, deposits and term deposits that are at floating rate.

The Company 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 for cash at bank, as financial assets that can be left at floating rate without necessarily exposing the Company 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 and the Company's sensitivity to interest rate risk are set out in the table below.

Interest rate exposure of financial instruments

2019	Weighted average interest rate %	Carrying amount $	Fixed interest rate $	Variable interest rate $	Non-interest bearing $
Financial assets					
Cash and deposits					
Cash at bank	-	8,643	-	-	8,643
Deposits at call	1.48	14,044	-	14,044	-
Deposits < 60 days	1.67	110,026	110,026	-	-
Receivables [(a)]					
Accrued interest income	-	81	-	-	81
Total financial assets		**132,794**	**110,026**	**14,044**	**8,724**
Financial liabilities					
Payables [(a)]					
Supplies and services	-	6,455	-	-	6,455
Other payables	-	4,000	-	-	4,000
Total financial liabilities		**10,455**	**-**	**-**	**10,455**

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

Notes to the financial statements continued

2018	Weighted average interest rate %	Carrying amount $	Fixed interest rate $	Variable interest rate $	Non interest bearing $
Financial assets					
Cash and deposits					
Cash at bank	-	6,782	-	-	6,782
Deposits at call	1.45	9,960	-	9,960	-
Deposits < 60 days	2.01	185,000	185,000	-	-
Receivables [(a)]					
Accrued interest income	-	32	-	-	32
Total financial assets		**201,774**	**185,000**	**9,960**	**6,814**
Financial liabilities					
Payables [(a)]					
Supplies and services	-	12,800	-	-	12,800
Other payables	-	3,800	-	-	3,800
Total financial liabilities		**16,600**	**-**	**-**	**16,600**

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

Interest rate risk sensitivity for the Company

2019	Carrying amount	-100 basis points Net result	+100 basis points Net result
Contractual financial assets			
Cash and deposits			
Deposits at call	14,044	(140)	140
Deposits < 60 days	110,026	(1,100)	1,100
Total impact	**124,070**	**(1,240)**	**1,240**

2018	Carrying amount	-100 basis points Net result	+100 basis points Net result
Financial assets			
Cash and deposits			
Deposits at call	9,960	(100)	100
Deposits < 60 days	185,000	(1,850)	1,850
Total impact	**194,960**	**(1,950)**	**1,950**

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

Notes to the financial statements continued

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

The Company is exposed to foreign currency risk mainly through its transactions relating to overseas travel. The Company has a limited amount of transactions denominated in foreign currencies and there is a relatively short timeframe between commitment and settlement, therefore risk is minimal.

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

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

There are no contingent assets and liabilities as at 30 June 2019 (2018: nil)

6.3 Fair value determination
Significant judgement: fair value measurements of assets and liabilities

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Company.

This section sets out information on how the Company determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result.

The Company determines the policies and procedures for determining fair values for financial assets and liabilities as required.

Fair value determination of financial assets and liabilities
The Company currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2018–19 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Receivables:	Payables:
• Trade receivables	• Supplies and services
• Accrued interest income	• Amounts payable to parent entity
Investments and other contractual financial assets:	• Other payables and accrued expense
• Cash and term deposits	

Notes to the financial statements continued

7. Other disclosures

Introduction

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

7.1 Responsible persons

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

Names

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

Mr P Turvey (Chairman)
1 July 2018 to 30 June 2019

Dr C Noble (Director)
1 July 2018 to 30 June 2019

Prof G Spangenberg (Director)
1 July 2018 to 30 June 2019

Mr DC Liesegang (Accountable Officer)
1 July 2018 to 30 June 2019

Remuneration

The directors and accountable officers did not receive and are not entitled to receive any remuneration or benefit.

There are no transactions with any directors and accountable officers of the Company.

No director of the Company received or became entitled to receive a benefit during 2018–19 financial year (2017–18: nil).

7.2 Related parties

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

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

Parent company

The Company is wholly owned by Agriculture Victoria Services Pty Ltd.

Key management personnel

The Company is incorporated under the *Corporations Act 2001* and therefore key management personnel are limited to the directors and executives of its parent entity, namely:

Mr P Turvey (Chairman)

Prof G Spangenberg (Director)

Dr C Noble (Director)

Mr DC Liesegang (Accountable Officer)

The directors and accountable officers did not receive and are not entitled to receive any remuneration or benefit.

Transactions and balances with key management personnel and other related parties

The Company's employment of processes occurs on terms and conditions consistent with the *Public Administration Act 2004* and codes of conduct and standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

There were no related-party transactions that involved key management personnel, their close family members and their personal business interests.

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

7.3 Significant commercial transactions with the State of Victoria

There were no commercial transactions with the State of Victoria in 2018–19.

Notes to the financial statements continued

7.4 Remuneration of auditors

	2019 $	2018 $
Victorian Auditor General's Office		
Audit the financial statements [(a)]	7,000	6,800
Total remuneration of auditors	**7,000**	**6,800**

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

7.5 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.

7.6 Other accounting policies and presentation of financial statements

Comprehensive operating statement

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

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

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

Balance sheet

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

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

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

Cash flow statement

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

Statement of changes in equity

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

Accounting for goods and services tax

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

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

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

Income tax

Agriculture Victoria Services Pty Ltd is a company wholly owned by the Victorian Government. The Company and its controlled entities are exempt from income tax under Section 24AO of the *Income Tax Assessment Act 1997* and therefore does not adopt tax effect accounting.

Notes to the financial statements continued

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

7.7 Change in accounting policies
The Company has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in opening retained earnings

(b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

AASB 9 introduces a major change to hedge accounting. However, the Company does not engage in hedging for its contractual financial assets.

This note explains the impact of the adoption of AASB 9 *Financial Instruments* on the Company's financial statements.

7.7.1 Changes to classification and measurement
Contractual receivables previously classified as other loans and receivables under AASB 139 are now reclassified as financial assets at amortised cost under AASB 9. This is because their cash flows solely represent payments of principal and interest, thus not meeting the AASB 9 criteria for classification at fair value through net result. There was no opening retained earnings adjustment from the changes in classification.

The accounting for financial liabilities remains the same as it was under AASB 139.

The Company's accounting policies for financial assets and liabilities are set out in Note 6.1.1.

7.8 Australian Accounting Standards issued that are not yet effective
The following AASs become effective for reporting periods commencing after 1 January 2019:

- AASB 16 *Leases*
- AASB 15 *Revenue from Contract with Customers*.

Leases
AASB 16 *Leases* replaces AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an arrangement contains a lease*, AASB Interpretation 115 *Operating Leases – incentives* and AASB Interpretation 127 *Evaluating the substance of transactions involving the legal form of a lease*.

AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on the balance sheet by recording a right-of-use (RoU) asset and a lease liability except for leases that are shorter than 12 months and leases where the underlying asset is of low value (deemed to be below $10,000).

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the depreciation expense on the RoU asset and remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The amount of the remeasurement of the lease liability will generally be recognised as an adjustment to the RoU asset.

The effective date for AASB 16 is for annual reporting periods beginning on or after 1 January 2019. The Company intends to adopt the standard in the 2019–20 financial year when it becomes effective.

The Company will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Company will elect to use the exemptions for all short-term leases (lease term less than 12 months) and low-value leases (deemed to be below $10,000).

The Company does not have or enter any new lease agreements as at 30 June 2019. Therefore, the AASB 16 Leases has no impact on the Company and there will be no opening retained earnings adjustment at 1 July 2019.

Notes to the financial statements continued

Revenue and income

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related interpretations; and it applies, with limited exceptions, to all revenue arising from contracts with its customers.

AASB 15 establishes a five-step model to account for revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on an entity to transfer goods or services. AASB 15 requires entities to only recognise revenue upon the fulfilment of the performance obligation. Therefore, entities need to allocate the transaction price to each performance obligation in a contract and recognise the revenue only when the related obligation is satisfied.

AASB 15, AASB 1058 and the related guidance will come into effect for not-for-profit entities for annual reporting periods beginning on or after 1 January 2019. The Company intends to adopt these standards in 2019–20 financial year when it becomes effective.

The Company will apply the standard using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The Company continues to build value in the technology and seek commercial opportunities. There are no revenue inflows under the agreements during 2018–19 financial year. Therefore, there will be no opening retained earnings adjustment at 1 July 2019.

Summary of new/revised accounting standards effective for current and future reporting periods

Current reporting period

The following accounting standards are effective from the 2018–19 reporting period and are considered to have an impact on public sector reporting:

AASB 9 *Financial Instruments*: AASB 9 simplifies the classification and subsequent measurement of financial assets from four categories (fair value through profit or loss, loans and receivables and held to maturity) to three categories (fair value through profit or loss, fair value through other comprehensive income, and amortised cost).

The following accounting pronouncements effective from the 2018–19 reporting period are considered to have insignificant impacts on public sector reporting:

- AASB 2014 1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*
- AASB 2014 7 *Amendments to Australian Accounting Standards arising from AASB 9*
- AASB 2014 5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – effective date of AASB 15*
- AASB 2016-3 *Amendments to Australian Accounting Standards – clarifications to AASB 15*
- AASB 2016-7 *Amendments to Australian Accounting Standards – deferral of AASB 15 for not-for-profit entities*

Notes to the financial statements continued

Future reporting periods

The table below outlines the accounting pronouncements that have been issued but not effective for 2018–19, which may result in potential impacts on public sector reporting for future reporting periods.

Topic[a]	Key requirements	Effective date
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet, which has an impact on net debt.	1 January 2019
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 *Amendments to Australian Accounting Standards – effective date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2019
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian implementation guidance for not-for-profit entities*	This standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: • require non-contractual receivable arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and clarifies circumstances when a contract with a customer is within the scope of AASB 15.	1 January 2019
AASB 2018-4 *Amendments to Australian Accounting Standards – Australian implementation guidance for not-for-profit public-sector licensors*	AASB 2018-4 provides the following guidance: • matters to consider in distinguishing between a tax and a licence, with all taxes being accounted for under AASB 1058 • IP licences are to be accounted for under AASB 15, and • non-IP, such as casino licences, are to be accounted for in accordance with the principles of AASB 15, after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16.	1 January 2019
AASB 1058 *Income of Not-for-Profit Entities*	This standard will replace AASB 1004 *Contributions* and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. The restructure of administrative arrangement will remain under AASB 1004.	1 January 2019
AASB 2018-8 *Amendments to Australian Accounting Standards – Right of use asset*	This standard amends various AASB standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 January 2019

Notes to the financial statements continued

Topic[a]	Key requirements	Effective date
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a business*	This standard amends AASB 3 *Business Combinations* to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of material*	This standard amends AASB 101 *Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 10 *Events after the Reporting Period*, including some supporting requirements in AASB 101, to give it more prominence and clarify the explanation accompanying the definition of material. The amendments also clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards and other publications.	1 January 2020

Notes: (a) For the current year, given the number of consequential amendments to AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers, the standards/interpretations have been grouped together to provide a more relevant view of the upcoming changes

7.9 Glossary of technical terms

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

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

Financial asset is any asset that is:

(a) cash;
(b) an equity instrument of another entity;
(c) a contractual right:
  – to receive cash or another financial asset from another entity; or
  – to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
(d) a contract that will or may be settled in the entity's own equity instruments and is:
  – a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  – a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Notes to the financial statements continued

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

Financial liability is any liability that is:

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

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

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

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

Net financial liabilities is calculated as liabilities less financial assets.

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

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

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

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

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

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

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

7.10 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
201x	year period
201x 1x	year period

The financial statements and notes are presented based on the 2018–19 Model Report for Victorian Government Departments/Agencies and 2018–19 DTF Model Report for Corporations Act entities. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Company's annual reports.

Appendix 1: Acronyms and glossary of terms

Term	Meaning
AVS	Agriculture Victoria Services Pty Ltd
BET	Biomass Enhancement Technology
Company ('the Company')	Phytogene Pty Ltd
DJPR ('the Department')	State of Victoria's Department of Jobs, Precincts and Regions
LXR®	Delayed plant leaf senescence technology. Pronounced 'Elixir'.
OGTR	Office of the Gene Technology Regulator
Phytogene	Phytogene Pty Ltd is a wholly owned subsidiary of AVS

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