


# Agriculture Victoria Services Pty Ltd
Annual Report 2020

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Dr RTH Aldous
Ms SD Andersen
Dr A Caples
Dr LC Macleod
Mr PRE Turvey

**Chief Executive Officer**
Mr DC Liesegang

**Company Secretary**
Mr BG Lang from 15 May 2019
Mr MS Anderson from 13 December 2019

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PBA Highland XT Red Lentil, courtesy of Agriculture Victoria Research.
Dairy cattle, courtesy of Agriculture Victoria's image bank.
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AGRICULTURE VICTORIA SERVICES

ACN 006 598 198
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# Contents

# Company profile

Agriculture Victoria Services (AVS) Pty Ltd (also referred to as 'the Company') is a private company incorporated under the provisions of the Corporations Act 2001 (Cth).

The Victorian Government beneficially owns 100 per cent of the Company's issued capital with the shareholder being represented through the Victorian Minister for Agriculture.

AVS is the specialist, professional entity responsible for protecting and commercialising novel technologies created by the Agriculture Victoria Research branch (AVR) of the Department of Jobs, Precincts and Regions (DJPR, also referred to as 'the Department').

The Company has a skills-based and gender-balanced board of directors that consists of six members.

## Background

AVS has delivered more than 30 years of service excellence.

The AVS team consists of 14 professional and support staff that provide the specialist capability necessary to meet the Company's obligations to government and the expectations of stakeholders.

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

## Purpose

The Company's purpose is to help improve the productivity and competitiveness of Victorian agriculture and related local industries, by commercialising the research and innovation of Agriculture Victoria.

AVS assists the Department's AVR to determine the most appropriate 'route-to-impact' for its research outputs. Where the economic and local industry productivity outcomes will be greater and more rapid, a commercial route-to-impact pathway is pursued.

The Victorian Government invests in research and innovation for productivity and biosecurity outcomes for Victorian agriculture. In this context, the Department aims to achieve step-change improvements in agriculture through innovation for the enduring profitability and productivity of Victorian farmers.

## Company value

**"The Victorian Government looks to AVS to work with AVR to ensure its research is optimised, where appropriate, by commercialisation of its IP assets and scientific capabilities."**

The Victorian Government looks to AVS to work with AVR to ensure its research is optimised, where appropriate, by commercialisation of its IP assets and scientific capabilities.

In this way AVS helps the government to meet its objectives – by providing expert IP management and commercialisation services; commercial research and innovation collaboration services; and technology investment services that maximise the adoption and impact of AVR research outputs and capability.

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

## Operating principles

AVS operates in accordance with the following IP management, collaboration and investment principles:

- AVS helps to determine the most appropriate route-to-impact for the research and innovation outputs of AVR. Where the economic and productivity outcomes for the state will be greater and more rapid, a commercial route-to-impact pathway is pursued.
- Where a commercialisation pathway is pursued, the primary objective of AVS is to maximise technology adoption by local industry for the state's economic benefit. Financial returns are a secondary objective and sought commensurate with fair and reasonable value attribution.
- AVS aims to ensure the registration, prosecution, defence and management of the IP assets created by AVR is always in the state's best economic and societal interests.
- AVS manages all commercialisation, research and innovation collaborations consistent with the objectives of AVR, the Department's IP management principles and Victorian public sector values.

- AVS invests Company funds to accelerate the translation of AVR research outputs into innovative products and services. Funds are invested in high-potential innovations that are technically feasible and commercially attractive, and that align with Department IP management principles, AVS strategic objectives and the above operating principles. AVS also invests Company funds in State of Victoria financial institutions to generate funds for such future investment opportunities.

## Objectives

To deliver on the Company's purpose, the board has set the following strategy objectives and aligned strategic priorities to achieve them:

1. **IP management and commercialisation services:** To protect and commercialise AVR IP assets to maximise technology adoption for local industry impact.

2. **Commercial research and collaboration services:** To support and strengthen commercial research collaborations that deliver AVR science and innovation for local industry impact.

3. **Research and innovation investment:** To accelerate the translation of AVR research outputs into innovative products and services through AVS investment.

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

## Core values

The Company's board and management have adopted the following core values:

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

## Stakeholders and collaborators

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

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

# 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 2020.

In 2019–20, AVS met its corporate objectives and delivered a net result of $1.4 million, while demonstrating the Company's purpose of helping to improve the productivity and competitiveness of Victorian agriculture and related local industries by commercialising the research and innovations of Agriculture Victoria Research (AVR).

**"AVS is strategically well-positioned to continue help protect and develop Victoria's innovation economy and its agriculture sector through and beyond the immediate impact of the COVID-19 pandemic. In this context, the Company's focus and resource deployment remains directed towards meeting the objectives of its Corporate plan (2019–2021)."**

Innovation is a central driver of the economic growth, productivity and international competitiveness of Victorian agriculture. Innovation, based on new knowledge and technologies, is fundamental to ensure Victorian farmers have a sustainable competitive advantage necessary for sustainability, productivity growth and achieving enduring profitability.

AVS' specialist skills and capacity in IP management, technology commercialisation, research collaboration and innovation investment remain vital for linking the world-leading research outputs and capability of the AVR with local industry for the state's economic benefit. Increasingly, the combination of AVS and AVR capabilities are resulting in productivity and economic benefits to our agricultural sector nationally and assisting in international investment attraction.

AVS holds an extensive IP portfolio that is an important asset of AVR. This portfolio underpins a range of agricultural innovations directed at industry benefit, particularly for dairy, grain, animal and horticultural producers. The portfolio includes patent filings throughout the world: of novel plant varieties, genetic traits, biologicals, fungal endophytes, genomic selection methods and platform technologies.

An enduring principle that underpins AVS' strategic approach to IP management is to always protect AVR's IP assets in the best interests of our local agricultural sector. This ensures current and future access to technologies and freedom-to-operate. The AVS board, management and staff continue to rigorously apply this principle in all decisions to protect, commercialise and defend its IP assets.

An important component of AVS' role is investing Company funds in AVR technologies that have high commercial potential and major benefit to our local industry and the Victorian economy. The success of the AVS investment portfolio has led to higher revenue flows during the past five years, with higher company cash reserves enabling AVS to consolidate its investment portfolio in 2019–20, with 12 active investment projects as at 30 June 2020.

Being valued by our stakeholders and collaborators is a high priority for the Board and management of AVS. In 2019–20, relationships between AVS and its key stakeholders and collaborators has continued to be characterised by high levels of trust and constructive engagement. This was evidenced from a Stakeholder Survey of IP co-owners, technology licensees, R&D collaborators and AVR which noted stakeholders very positive support for AVS' constructive style of engagement and professionalism and their trust in AVS.

The AVS Corporate Plan (2019–2021) recognises the growing depth, breadth and complexity of the Company's business, technologies and collaborations. The Plan recognises the agriculture research environment is increasingly global and sophisticated. The continued positive performance of AVS in 2019–20 illustrates AVS' continued value in guiding, supporting and investing in the delivery of AVR leading-edge science through commercial collaborations locally, nationally and internationally.

The 2019–20 year was the second of the Company's three-year corporate plan. AVS achieved its three core objectives for the year and delivered against the Company's six annual success measures, while strengthening the Company's value proposition for its key stakeholders. It is not insignificant that this was all able to be achieved safely and efficiently with all AVS staff being required to work-from-home since 23 March due to the impact of the COVID-19 pandemic.

On behalf of the Board I would like to thank AVS management and staff for their outstanding commitment and adaptability throughout the year and particularly during the pandemic.

As a self-funded entity relying on service fees and investment income to fund its operations and to ensure its ongoing viability, AVS is strategically well-positioned to continue to help protect and develop Victoria's innovation economy and its agriculture sector through and beyond the immediate impact of the COVID-19 pandemic. In this context, the Company's focus and resource deployment remains directed towards meeting the objectives of its Corporate Plan (2019–2021).

Since its inception in 1986, AVS has been recognised by stakeholders to be a valued, skilled and trustworthy contributor to bringing beneficial innovations to Victoria's agricultural sector. It has been my privilege to be a director of AVS since 1998 including Chairman from 2008.

The 2019–20 year represents the final term of my role as Chair of the company, noting I shall remain as a director until 30 June 2021, following which I will be stepping down from the board.

During my tenure as Chair I have enjoyed the contributions and support of all board directors and I thank them immensely for their input to guiding the success of the company.

I would like to express my sincere appreciation to the management and staff of AVS over the years, their commitment and support of the Board and myself being invaluable.

Additionally, I would like to recognise the exceptional professionalism and research capabilities of the staff of AVR.

Ms Sam Andersen will commence as Chair of AVS in July 2020 and I am sure she will be an outstanding leader, taking AVS forward as a company supporting Victoria's agriculture sector.

**Dr Clive Noble**
**Chairman**
**Agriculture Victoria Services Pty Ltd**

# Chief Executive Officer's report

In 2019–20, AVS successfully delivered against all annual objectives and performance measures and delivered a positive net result of $1.4million.

The Company achieved this result by successfully performing the IP management, technology commercialisation and commercial interfacing needs of the Department's Agriculture Victoria Research branch (AVR).

AVR is undertaking research to enable Victorian farmers to overcome productivity, food security and biosecurity challenges and help them compete in key export markets, particularly in Asia.

**"AVS continued to play a key role in supporting the commercial deployment of AVR capabilities and technologies for the benefit of Australian agriculture, by establishing several global research, development and commercialisation collaborations with the private sector."**

AVS continued to play a key role in supporting the commercial deployment of AVR capabilities and technologies for the benefit of Australian agriculture, by establishing several global research, development and commercialisation collaborations with the private sector. Global collaboration remains vital as agricultural technology platforms, pipelines and landscapes continue to expand globally, with a preparedness for engaging remotely likely to be essential for collaborative success in the future.

During 2019–20, aligned with the company's current 3-year Corporate Plan, AVS was successful in:

- providing expert IP advice to guide IP registration, portfolio management and route-to-impact decision-making
- devising and deploying effective IP commercialisation strategies informed by contemporary technology valuation models;
- deploying effective approaches to local and global defence and licensing of IP rights relating to strategic technologies of AVR
- collaborating with suitable partners to accelerate and enhance the commercial uptake and value of the research and technologies of AVR and its partners
- entering technology commercialisation agreements and partnerships for accelerating the translation of AVR inventions into innovations for the benefit of local industry.

In 2019–20, AVS lodged 11 new patent applications, as well as extensions and variations to existing AVS patents to enhance their technical and geographic coverage. Innovations held by AVS are now represented by 544 patent filings in 26 countries and reflect the broad range of AVR-created technologies that arise from AVR research.

These patent applications and granted patents are associated with AVR's research activities in fungal and bacterial endophytes, bioactive compounds and genomic technologies, as well as enabling technologies for accelerated precision breeding of crops and livestock.

These IP assets are enabling enhanced genetic improvement of plant and animals' species that are important to Victoria, improved pest and disease management, and the delivery of novel technologies and tools for the discover, characterisation and deployment of plant and animal microbiomes including in novel bioindustries. For example, several AVS patent filings in 2019–20 related to AVR-created medicinal cannabis technologies in alignment with the Victorian Government's industry plan, *Developing a medicinal cannabis industry in Victoria 2018–2021*.

In 2019–20 several technology licence agreements were signed by AVS granting IP rights associated with AVR research outputs aimed at delivering economic benefits to Victoria.

For example, several licence agreements were signed by AVS in 2019–20 granting rights to AVR technologies that are increasing rates of genetic gain for key crops and livestock of economic importance in Australia and globally. Genomic selection is one of the most significant innovations of AVR scientists over the past decade and is continuing to transform livestock and crop genetic improvement worldwide. The related licence agreements are enabling the delivery of faster, cheaper and more accurate genomic-based breeding innovations and services for Australian and international plant and animal industries, such as grains and dairy.

AVS also signed several novel pulse variety licence agreements that aim to deliver elite new field pea and lentil varieties that have been bred by AVR for Australian pulse growers, including a licence for an elite new herbicide-tolerant red lentil variety.

Through the Company's investment function, AVS has 12 active investment projects and during the past 16 years, the Company has invested in 20 technology projects aimed at:

- enabling pre-commercial proof of concept and industry delivery of novel AVR IP assets
- delivering commercial product innovations to benefit local farmers and the State; and
- generating financial returns for new investment.

Of the 12 active investments, seven projects reflect a strategic shift toward development of patented, platform technologies created by AVR – for accelerated precision breeding of crops of national and global economic importance.

Four of AVS' current investments (HT Barley, HT Lentils, Primary Oilseeds, HOLL Canola) continue to deliver benefits to the Australian agriculture sector and generated positive financial returns in 2019–20.

AVS' management remains fully committed to making a difference to the productivity and enduring profitability of Victoria's farmers and agriculture industries – by ensuring the transformational research outputs of AVR are delivered to farmers through capable private sector entities. To this end, I would like to commend the work and collaborative support of AVR, its executive and its world-class knowledge workforce.

I wish to also express my appreciation for the exceptional contributions of all AVS' staff this year, particularly in meeting the work-from-home business continuity challenges the COVID-19 pandemic has presented since March 2020.

The efforts and dedication of the entire AVS team during this time has been nothing short of stellar. As a result, and in this context, the company remains very well-placed to continue to deliver a highly effective and professional commercial interface between the private sector and AVR's capabilities and innovations.

**David Liesegang**
**Chief Executive Officer**
**Agriculture Victoria Services Pty Ltd**

# Board of directors
## For the year ended 30 June 2020

**Back row (standing left to right):** Peter Turvey (Director), Dr Richard Aldous (Director), Dr Clive Noble PSM (Chairman)
**Front row (standing left to right):** Dr Lesley Macleod (Director), Dr Amanda Caples (Director), Sandra (Sam) Andersen (Director)

### Dr Clive Noble PSM (Chairman)
BAgrSci (Hons), PhD, FIPAA, GAICD

Clive is a 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.

Since 2018 Clive is also the chief executive of the Gardiner Dairy Foundation.

Clive joined the AVS board in 1998 and was appointed chairman of the Company on 1 August 2008. Clive stepped down from his role of AVS Chair on 30 June 2020, but he will remain a director of AVS and Phytogene. Clive is also a director of the AVS subsidiary, Phytogene Pty Ltd.

### Dr Lesley Macleod (Director)
BSc (Hons), PhD, Dip. Bus Man., GAICD

Lesley is the former chief executive officer of Dairy Innovation Australia Ltd and is on the board of the Fisheries Research and Development Corporation (FRDC).

Following a 12-year research career in Edinburgh and Adelaide focusing on grains research, Lesley moved into industry in Victoria where she gained more than 20 years' experience in senior agribusiness management for Australian and multinational grain companies.

Lesley has a focus on research management, innovation and commercialisation. She has established a number of national research, development and extension programs and not-for-profit companies.

### Dr Richard Aldous (Director)

BSc (Hons), PhD, GAICD

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

Richard has been a director of the Cooperative Research Centre (CRC) Association, chief executive officer of the CO2CRC, chairman of the CRC for Clean Power from Lignite and chairman the Ministerial Advisory Council for Earth Resources in Victoria.

### Ms Sandra (Sam) Andersen (Director)

LLB, CPA, FAICD, F Finsia

Sam was elected Chair of AVS from 1 July 2020 in addition, Sam is a member of the AVS Audit and Risk Management Committee.

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

Sam is chair of the Australian Packaging Covenant Organisation Limited and Beyond Bank Australia Limited, and a director of Hearing Australia (until 30 August 2020), Melbourne Convention and Exhibition Trust and Victorian Land Registry Services, chairman of the Financial Sustainability Advisory Board – Victoria Police and chair of the Audit and Risk Management Committee for the Department of Premier and Cabinet.

### Dr Amanda Caples (Director)

BSc (Hons), PhD, GAICD

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

Most recently she has been Deputy Secretary, Sector Development and Programs, at DJPR, responsible for developing the Future Industries sector strategies and growth plan, and for supporting the Victorian science, innovation and entrepreneurial sectors.

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

### Mr Peter Turvey (Director)

BA/LLB, MAICD

Peter is chair of the AVS Audit and Risk Management Committee and is chair of the AVS subsidiary, Phytogene Pty Ltd.

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 non-executive director of Starpharma Holdings Ltd, Cell Therapies Pty Ltd and ImmVirX Pty 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.

# Review of financial performance

This section provides a five-year financial summary and reviews the 2019–20 year for AVS and its subsidiary Phytogene Pty Ltd. Full financial performance details for the 2019–20 year are shown in the accompanying financial statements. A consolidated five-year financial summary for AVS and its subsidiary is provided in the following table.

Table 1: Consolidated five-year financial summary ($ thousands)

| Five-year financial summary | 2019–20 | 2018–19 | 2017–18 | 2016–17 | 2015–16 |
|---|---|---|---|---|---|
| Total income from transactions | 22,699 | 25,141 | 28,100 | 17,250 | 19,666 |
| Total expenses from transactions | (21,291) | (21,180) | (21,045) | (14,405) | (16,170) |
| Net result from transactions | 1,409 | 3,961 | 7,055 | 2,845 | 3,496 |
| Net result for the period | 1,400 | 4,070 | 7,052 | 2,978 | 3,512 |
| Net cash flows from operating activities | 4,114 | 7,698 | 9,988 | 4,771 | 1,896 |
| Total assets | 43,606 | 49,680 | 40,906 | 28,912 | 23,926 |
| Total liabilities | 11,254 | 18,607 | 13,902 | 8,961 | 6,952 |
| Net assets | 32,352 | 31,073 | 27,003 | 19,951 | 16,974 |

## Overview

### Net result for the period

In 2019–20, AVS achieved a net result of $1.4 million which was in line with expectations. This reduction from the previous year reflects reduced royalty income due to several investments approaching the end of their economic life over the next few years. The net result in 2018–19 was $4.1million.

### Net assets

AVS net asset value has experienced significant growth in recent years, principally due to the success of the Company's investment portfolio which has generated strong royalty flows and been a major contributor to the Company's profitability. AVS net worth at $32.4 million is at the highest level in the Company's history.

### Total income from transactions

The five-year income summary reflected in the following table includes income from transactions including royalty income, interest revenue and supply of services.

### Supply of services income

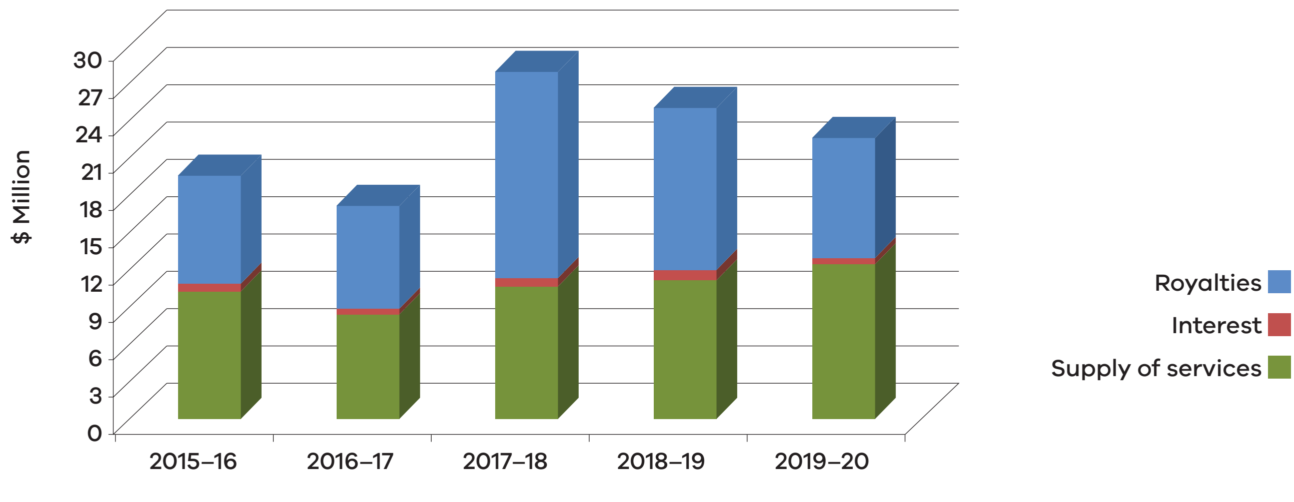
This income source comprises revenues earned by AVS from the provision of IP and commercialisation services to the Department; contracted research revenue where AVS acts as an agent on behalf of the Department; and the recovery of IP registration, maintenance and defence costs.

The supply of services income in 2019–20 was $12.6 million, in 2018–19 this income amount was $11.3 million.

### Interest income

Interest represents income earned on financial assets held by AVS. The decline in interest income from 2018–19 ($0.8 million) to 2019–20 ($0.4 million) is largely as the result of declining interest rates experienced over the period.

Figure 1: Five-year total income from transactions



**Royalty income**

Royalties and licence fees are earned through the licensing of third parties to use and commercialise the registered intellectual property held by AVS. Where intellectual property has been created and funded in full or in part by another organisation (principally AVR), then AVS recognises the equity interest of that organisation in determining royalty entitlements. Thus, gross royalties received by AVS are distributed on the basis of the agreed equity interests of IP co-funders and developers with AVS retaining the royalties from IP funded by the Company in its own right.

Gross royalty income for 2019–20 was $9.7 million, in 2018–19 this income was $13.0 million.

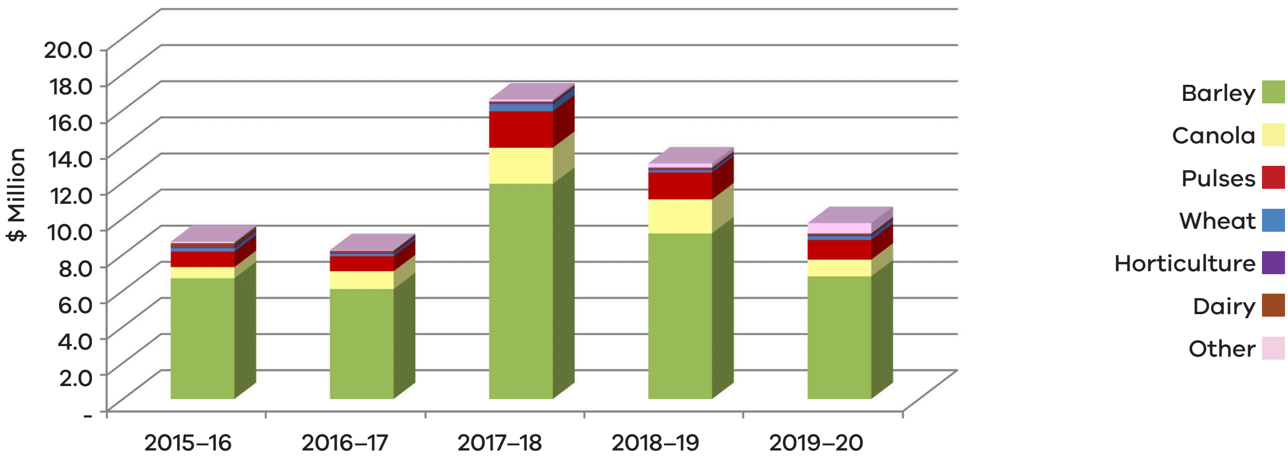
The strong royalty performance of recent years relates to the significant returns from the AVS investment fund.

However, the royalty flows from established investments are currently declining and will continue to do so over the next three to five financial years as several investments reach the end of their commercial lives. By that time new royalty flows are expected from the more recent investment projects as they reach maturity and provide increased commercial attractiveness.

Revenues from the commercialisation of AVS' patented barley varieties continue to deliver most of the Company's royalty income, accounting for $6.8 million of the $9.7 million total royalty income in 2019–20.

The graph below presents AVS **royalty income** by plant variety type under licence during the past five years.

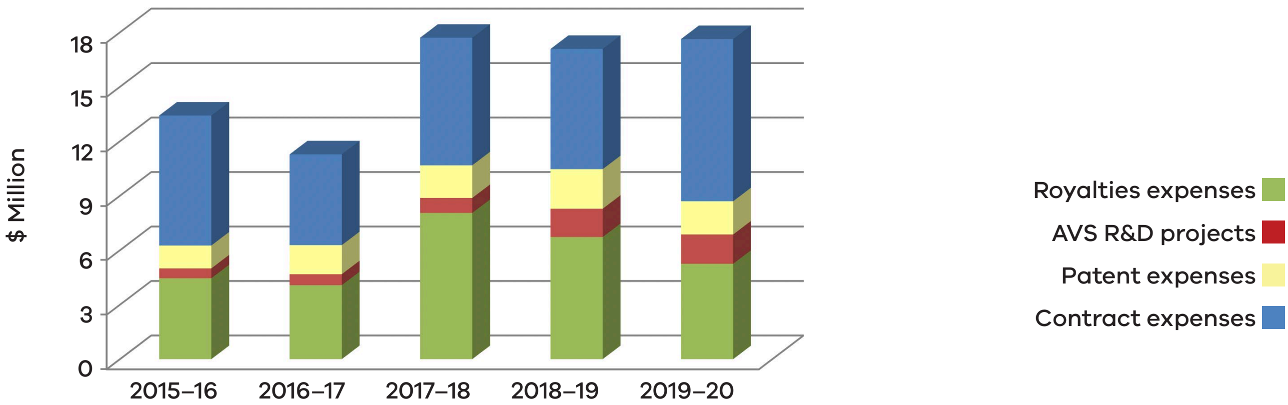
Figure 2: Five year royalty income




**Research, royalty, patent and contract expenses**

A five-year total research, royalty, patent and contract expenses summary is provided in the following graph.

Figure 3: Five-year research, royalty, patent and contract expenses




Research, royalty, patent and contract expenses make up the largest expenditure item.

## **Review of financial performance** continued

### Royalty expenses

As noted above, when determining royalty entitlements, AVS recognises the equity interest of IP inventors and co-funding organisations. Royalty expenses represent the distribution of royalty revenue to IP equity holders, the major beneficiary being the Department. A total of $5.3 million was distributed in 2019–20 and $6.7 million in 2018–19.

### AVS research (investment) project expenses

This represents expenditure incurred by AVS on investment projects made through the AVS investment fund to accelerate the commercial development of research innovations of the Department. Research projects are expensed to the operating statement, as distinct from development projects that are capitalised in the balance sheet. In 2019–20 research project expenditure amounted to $1.4 million (2018–19 $1.6 million) and included payments for OHV Canola, OHV Wheat, SaffBio, CannBio, Endophyte MicroBiome and CannBio MicroBiome. Research expenditure commitments for subsequent years are detailed in note 6.4 of the financial statements.

### Patent expenses

Patent expenses include IP registration and protection costs for the IP assets of AVS. In 2019–20 patent expenses amounted to $1.8 million (2018–19 $2.2 million). A significant proportion of these costs are recovered from the Department and other IP equity holders.

### Contract research project expenses

As part of its role in providing a commercial interface between the Department and industry, AVS enters into contract research and development agreements as an agent of DJPR. In its role as the contracting party AVS collects the research and development funds that are due and pays them, on invoice, to the Department for their provision of the contracted research services. Contract research and development expenses incurred as agent for the Department in 2019–20 total $8.93 million (2018–19 $6.62 million).

### Group result net of agency transactions

As noted in the previous sections, other organisations (including the Department) hold an equity interest in AVS IP returns and as such have both an entitlement to a share of AVS gross royalty income and an obligation to meet their share of IP protection costs. AVS also acts as an agent for the Department when establishing commercial research and development contracts. The following table shows the underlying net surplus attributable to AVS after royalty, IP and agency distribution, i.e. net of all third-party associated income and expenses.

Table 2: 2019–20 year in review ($ thousands)

| | 2019–20 | | | 2018–19 | | |
|---|---|---|---|---|---|---|
| | Total | Agency | Group | Total | Agency | Group |
| Income from supply of services | 12,551 | 10,544 | 2,007 | 11,267 | 9,260 | 2,007 |
| Royalty income | 9,744 | 5,251 | 4,493 | 13,048 | 6,724 | 6,324 |
| Interest income | 404 | – | 404 | 826 | – | 826 |
| **Total income from transactions** | **22,699** | **15,795** | **6,904** | **25,141** | **15,984** | **9,157** |
| Expenses from transactions | | | | | | |
| Contract research project expenses | 10,546 | 8,931 | 1,615 | 8,181 | 6,622 | 1,559 |
| Royalty expenses | 5,251 | 5,251 | – | 6,724 | 6,724 | – |
| Patent expenses | 1,830 | 1,590 | 240 | 2,179 | 2,068 | 111 |
| Employee expenses | 2,168 | – | 2,168 | 2,080 | – | 2,080 |
| Depreciation and amortisation | 259 | – | 259 | 140 | – | 140 |
| Interest expenses | 51 | – | 51 | 1 | – | 1 |
| Operating expenses | 1,186 | 23 | 1,163 | 1,875 | 570 | 1,305 |
| **Total expenses from transactions** | **21,291** | **15,795** | **5,496** | **21,180** | **15,984** | **5,196** |
| **Net result from transactions** | | | | | | |
| Other economic flows | (8) | – | (8) | 108 | – | 108 |
| **Comprehensive result** | **1,400** | | **1,400** | **4,070** | | **4,070** |

# Review of operational performance

This section summarises key operational achievements for the 2019–20 financial year in alignment with the Company's three strategic objectives, as set out in the AVS Corporate Plan (2019–2021):

1. *IP management and commercialisation services:*
   **AVS protects and commercialises AVR's intellectual property assets to maximise technology adoption for local industry impact.**

2. *Commercial research and collaboration services:*
   **AVS supports and strengthens commercial research collaborations that deliver AVR's science and innovation for local industry impact.**

3. *Research and innovation investment:*
   **AVS accelerate the translation of AVR's research outputs into innovative products and services through AVS investment.**

## Intellectual property management and commercialisation

In 2019–20, AVS contributed to maximising the impact of the agricultural technologies and research capabilities of AVR by undertaking the following core IP and commercial management services:

- IP protection and portfolio management for maximising industry benefits from agricultural innovations
- technology assessment and valuation for guiding IP strategy and commercialisation decision-making
- technology commercialisation for maximising industry adoption through private route-to-impact partnerships
- collaborative research and licence partner assessment and due diligence analysis
- local and global private sector partner interfacing to support major AVR research collaborations
- governance of commercial IP joint ventures and new collaborative research entities.

### AVS intellectual property portfolio

The scientific activities of AVR are aimed at developing and disseminating transformational bioscience tools and technologies primarily for the benefit of the Australian dairy, grains, red meat and horticulture industries.

Innovations held by AVS are represented by 544 patent filings in 26 countries and reflect the broad range of AVR-created technologies that arise from AVR research.

AVS' patent portfolio comprises subject matter related to the genetic improvement of plant and animal species that are important to Victoria, pest and disease management, and novel molecular technologies for the analysis of microbiomes in association with plants and animals.

Patented inventions arising from AVR's research activities include fungal and bacterial endophytes, bioactive compounds and genomic technologies, enabling technologies for accelerated precision breeding of crops and livestock, as well as novel bacterial strains with bioprotection and biofertiliser activities.

AVS holds Plant Breeder's Rights (PBR) registrations in Australia for several plant varieties bred by AVR. These PBR registrations relate to varieties of canola, wheat, barley field peas, lentils, chickpeas, pears, strawberries, peaches and potatoes. AVS also holds PBR registrations for proprietary new strains of medicinal cannabis.

AVS holds several trademarks related to its businesses and AVR outputs. Most of these are held in Australia with several trademarks registered in Europe, New Zealand, United States, Argentina, Thailand and Indonesia.

The table below summarises the AVS IP portfolio held at 30 June 2020 for the past five years.

Table 3: AVS intellectual property portfolio from 2016 until 30 June 2020

| AVS IP portfolio | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Patented inventions (patent families) | **82** | **83** | 69 | 65 | 63 |
| Plant Breeder's Rights | **61** | **59** | 58 | 57 | 53 |
| Trademarks | **19** | **13** | 13 | 14 | 14 |

## **Review of operational performance** continued

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

**Figure 4: Geographic representation of AVS intellectual property portfolio**


**Intellectual property registration achievements**
The AVS IP portfolio reflects increased numbers of new patent filings comprising novel research outputs of AVR and reduced numbers of patent families following regular AVS' IP portfolio reviews.

During 2019–20 AVS lodged multiple new patent applications, as well as extensions and variations to existing AVS patents to enhance their technical and geographic coverage.

Australian provisional patent applications filed by AVS in 2019–20 included the following research and innovation outputs of AVR:

- Several Australian provisional patent applications were filed by AVS in collaboration with Dairy Australia Limited and the Geoffrey Gardiner Dairy Foundation Limited that relate to novel *Lolium*-derived bacterial strains developed by AVR with bioprotection, biostimulant and biofertiliser activities. Each of the new applications captures *Lolium*-derived strains for deployment in varietal development and seed production for global pasture and turf and lawn grasses production, leading to improved production, environmental and amenity outcomes.
- A provisional patent application was filed by AVS in collaboration with Dairy Australia Limited and the Geoffrey Gardiner Dairy Foundation Limited in relation to a method developed by AVR for estimating single traits and multi-traits in large genomic populations. The technology expands on AVR-developed and patented methods.
- A provisional patent application was filed by AVS in collaboration with Dairy Australia Limited and Geoffrey Gardiner Dairy Foundation Limited in relation to a method developed by AVR for analysing the mid-infrared (MIR) spectrum in cow's milk to predict fertility.
- A provisional patent application was filed by AVS which captures a novel method developed by AVR for identifying and developing new microbial strains with bioprotection activity.
- An Australian provisional patent application filed by AVS captures novel plant associated bacterial strains developed and characterised by AVR to enhance abiotic stress tolerance in wheat and other corps.

## **Review of operational performance** continued

- Several Australian provisional patent applications were filed capturing novel methods, technologies, tools and biomaterials in medicinal cannabis arisen from AVR's research in medical cannabis plant biology.

Australian standard patents granted to AVS in 2019–20 included the following research and innovation outputs of AVR:

- A standard AVS divisional patent was granted in Australia for methods developed by AVR for deployment of plant microbiome components (AU 2017251752 – entitled *Novel organisms* (3)). The New Zealand and European counterparts of the patent were also granted in 2019–20.
- A standard AVS patent was granted in Australia directed to methods developed by AVR for controlling hybridization in plants and producing hybrid plants (in particular, members of the *Poaceae* family – including pasture grasses) comprising the use of nucleic acids encoding amino acid sequences for self-incompatibility proteins (AU 2014218508 – entitled *Manipulation of self-incompatibility in plants*). The European counterpart of the patent was also granted in 2019–20.

In 2019–20 seventeen patent applications filed by AVS outside of Australia were also granted, including:

- A patent entitled "*Artificial selection method and reagents*" (BR PI0721009–4) was granted in Brazil which is associated with the AVR-developed genomic selection method for plants and animals.
- A divisional patent entitled "*Use of Angiogenin or angiogenin agonists for treating diseases or disorders*" (US 15/703203) was granted in the United States which is associated with AVR-developed technology relevant to the AVS SafflowerBio® investment project.
- A patent entitled "*Method of Nucleic Acid Fragmentation*" (US 14/716212) was granted in the United States.
- A patent entitled "*Angiogenin expression in plants*" (IN 4439/CHENP/2012) was granted in India which is associated with AVR-developed technology for expressing angiogenin in plants relevant to the AVS SafflowerBio® investment project.
- A patent entitled "*Method of treatment using antimicrobial composition*" (AR 09 01 00921) was granted in Argentina which is associated with AVR-developed technology directed to antimicrobial peptides which have antimicrobial activity against Streptococcus uberis and are useful for the treatment of mastitis in cows &/or an infection in a mammary gland.
- A number of patents directed to improvements in important agricultural crop plants, including grants in Canada, Brazil, New Zealand, Uruguay and the United States.

In 2019–20 AVS filed and obtained PBR registrations in Australia for a new lentil variety bred by AVR, 'PBA HighlandXT' and a new chickpea variety bred by AVR, 'PBA Royal'.

In 2019–20, AVS also filed trademark applications which relate to AVR AgTech innovations in particular relating to novel sensor technologies, devices and data analytics innovations for low-cost, high-throughput, tailored, validated applications in agriculture empowering growers and plant breeders.

AVS also filed a trademark registration application for AVR innovations relating to novel microorganisms for use as plant, seed and soil applications for biostimulant, bioprotectant and biofertiliser outcomes.

### Technology commercialisation achievements

**"As a commercialisation arm of PBA, AVS entered into several licence agreements that aim to deliver elite new field pea and lentil varieties for Australian pulse growers."**

The following activities in 2019–20 relate to the licensing of AVS IP rights associated with AVR research outputs to maximise technology adoption by industry and deliver economic benefits to Victoria.

AVS signed several new licence agreements granting rights to the AVS patent Artificial selection method and reagents associated with the genomic selection method for plants and animals created by AVR in 2006.

AVS' non-exclusive licensing of this AVR-created IP asset is supporting breeding significant advances in plant and animal industries in Australia.

It is also facilitating the cost-effective delivery of genomic breeding values and services for grain, dairy and beef industries in Australia, Europe, the US, Canada and New Zealand.

## **Review of operational performance** continued

AVS signed several technology licence agreements for new elite pulse varieties developed by AVR through the Pulse Breeding Australia (PBA) program.

PBA is an unincorporated joint venture comprising the Grains Research Development Corporation (GRDC), Pulse Australia and several state agencies (including the Department through AVR) in Australia.

As a commercialisation arm of PBA, AVS entered into several licence agreements that aim to deliver elite new field pea and lentil varieties for Australian pulse growers:

- AVS signed a plant variety licence agreement with PB Seeds Pty Ltd for a new herbicide tolerant (HT) lentil variety, 'PBA HighlandXT'.
- AVS signed two plant variety licence agreements with Nutrien Ag Solutions (formerly Landmark Operations Limited trading as Seednet) for new red lentil and Kabuli chickpea varieties:
    - o Lentil Variety: 'PBA Kelpie XT'
    - o Kabuli Chickpea Variety: 'PBA Royal'.
- AVS signed a licence agreement with Nutrien Ag Solutions (formerly Landmark Operations Limited trading as Seednet) for the commercial evaluation of a new a field pea line bred by AVR through PBA projects to determine its potential for commercial release to Australian pulse growers.

In alignment with the Victorian Government's medical cannabis industry plan, *Developing a medicinal cannabis industry in Victoria 2018–2021*, AVS has continued to support this sector to position Victoria as a leader in the development, manufacture and export of medicinal cannabis products, to create local jobs and provide life-changing treatment to patients. In support of the plan's priority actions, AVS has contractually engaged with several companies to help strengthen domestic and global markets for Victorian-produced medicinal cannabis products. For example:

- AVS signed technical services agreements with a licensed cannabis cultivation company, granting it licence rights to undertake commercial cultivation, evaluation, extraction and manufacturing services in relation to medicinal cannabis strains and to use related technologies developed by AVR.
- AVS has signed Confidentiality Agreements with several new companies to discuss potential provision of technical services, research collaborations and access to proprietary strains.

### Commercial research and collaboration

In 2019–20, AVS helped to strengthen commercial research collaborations by providing support services to help ensure:

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

**Commercial research agreement management**
In 2019–20, AVS entered into contract research and technical services agreements with the private sector on behalf of AVR, including the following:

- diagnostics of endophytes in forage grasses (tall fescue and perennial ryegrass) endophyte diagnostics
- crop health surveys
- milk and milk powder compositional characterisation
- plant microbiome profiling and microbial isolation
- screening of plant-microbe symbiota for performance assessment
- evaluation of a hydroponic system for use in broadscale applications
- genotyping and genomics services in beef
- genotyping and genomics services in eucalypts

## **Review of operational performance** continued

In support of the Victorian Government's industry plan, *Developing a medicinal cannabis industry in Victoria 2018–2021*, AVS entered into several new research-enabling agreements (such as memoranda of understanding, confidentiality, material transfer, technical service agreements and collaborative and sponsored research and development agreements) with several organisations in the field of medicinal cannabis. Under commercial technical service agreements, AVS also provided (through AVR) one or more of the following services:

- expert technical advice on regulatory compliance and medicinal cannabis cultivation
- medicinal cannabis extraction and manufacturing services (under Good Manufacturing Practice)
- analytical services for analysis of cannabinoids in medicinal cannabis biomass
- initial supply and access provisions for proprietary, AVR-developed medicinal cannabis strains.

### Collaborative research guidance and support

In 2019–20, AVS' specialist expertise in legal, commercial and IP matters was deployed to review draft agreements for research and innovation collaborations and contracted services of AVR. This helped to identify relevant contractual and IP risks and to advise on their management.

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

AVS also advised AVR and its key stakeholders on industry research and development corporation and Commonwealth funding agency agreements. These related to contractual provisions for IP ownership and liabilities.

## AVS technology investment

Through the investment of Company funds, AVS seeks to accelerate the translation of AVR research outputs into innovative technologies, products and services and enhance their commercial adoption by the private sector.

The investment of AVS funds to advance and commercialise AVR-created technologies has been a central element of the Company's business since its formation in 1986.

In 2019–20, AVS continued to identify and assess investments that:

- balance risk and reward of AVS' overall investment portfolio to deliver positive financial results
- accelerate and enhance transformation of AVR inventions into innovative products and services
- deliver economic benefits for the state by maximising adoption and value of AVS technologies
- AVS can manage effectively with AVR and other partners.

### AVS investment portfolio

The third strategic objective of the AVS corporate plan reflects the importance of the Company's investment function in advancing industry adoption of research outputs and technology inventions arising from AVR.

The AVS investment portfolio is managed by the AVS Investment Committee, which meets on a regular basis to consider new investment opportunities, review and monitor the performance of existing investment projects, and plan for the financial resources necessary to deliver future investment opportunities.

As at 30 June 2020, AVS had 12 active investment projects under management and had invested in 20 technology enhancement projects during the past 16 years. See Table 4 below for a review of each active project.

The following table briefly summarises current AVS investment fund projects.

## **Review of operational performance** continued

Table 4: Summary of active AVS investment fund projects, objectives and expenditures

| Investment fund projects | Key objective of investment project | Project expenditure treatment |
|---|---|---|
| 1. Phytogene Pty Ltd | Phytogene is a wholly owned subsidiary company of AVS established to commercialise a proprietary and patented delayed plant leaf senescence technology, with the trademark LXR®. The technology has a wide range of potential applications for major plant crops by increasing dry matter production, seed yield and drought tolerance. Phytogene also holds the exclusive commercialisation rights to another, complementary yield-enhancing trait – biomass enhancement technology (BET) – which was developed by AVR and the former Molecular Plant Breeding Cooperative Research Centre (CRC). AVS' share capital investment and early stage licence revenues fund Phytogene's ongoing operations. | Development[1] project: expenditure reported in the AVS balance sheet as an investment in wholly owned subsidiary |
| 2. Primary Oilseeds | This project has delivered AVR-developed canola germplasm and elite new canola varieties in Australia through three genetic trait pipelines: conventional (non-herbicide-tolerant) canola varieties; triazine-tolerant canola varieties; and imidazolinone-tolerant canola varieties. | Development project: expenditure reported in the AVS balance sheet as an intangible asset |
| 3. AVS High Oleic, Low Linolenic (HOLL) Canola | This project has delivered commercial HOLL canola hybrids with tolerance to key herbicides. Oil produced from HOLL canola offers improved shelf-life and stability at high temperatures due to its oxidative stability, as well as lower saturated 'trans' fats. | Development project: expenditure reported in the AVS balance sheet as an intangible asset |
| 4. Herbicide-Tolerant (HT) Barley | This project has established and delivered the world's first HT barley varieties to enable Australian barley growers to better manage weeds and has provided the local grain industry with a new crop rotation option. | Research[1] project: expenditure charged against the income statement in the year incurred |
| 5. Herbicide-Tolerant (HT) Lentils | This project has developed and commercially released elite, new lentil varieties with tolerance to a class of important herbicides for Australian grain growers. | Research project: expenditure charged against the income statement in the year incurred |
| 6. Blackleg Tolerant Canola | This project aims to validate, de-risk and demonstrate the value of Blackleg Tolerant Canola Optimum Haploid Value (OHV) technology for use in canola pre-breeding applications by commercial breeding companies in Australia. | Research project: expenditure charged against the income statement in the year incurred |
| 7. Genome Edited Wheat and Forages | This project aims to develop new ExZact™ genome-edited forage product innovations for the Australian dairy industry. It also aims to develop and validate platform technology in wheat to enable precision genome editing technology to be directly deployed in elite wheat germplasm. | Research project: expenditure charged against the income statement in the year incurred |

## **Review of operational performance** continued

| Investment fund projects | Key objective of investment project | Project expenditure treatment |
|---|---|---|
| 8. Russian Wheat Aphid Tolerant Wheat | This project aims to develop, implement and demonstrate the efficacy of selection methods based on the OHV technology in wheat pre-breeding. This will help accelerate development of new wheat varieties with resistance to Russian wheat aphid (while increasing genetic gain for yield, rust disease resistance and other breeding traits). | Research project: expenditure charged against the income statement in the year incurred |
| 9. Novel Safflower Platform (SaffBio™) | This project aims to establish a novel precision genome design system for safflower that will enable the generation of new safflower events producing biomolecules with industrial and agricultural applications. This investment also seeks to advance AVS' RNAse5 technology for animal health and animal feed applications. | Research project: expenditure charged against the income statement in the year incurred |
| 10. Novel Medicinal Cannabis (CannBio®) | This project aims to develop and commercialise medicinal cannabis genetics that will provide novel chemical profiles of cannabinoids and aromatic terpenes, including designer medicinal cannabis strains. This project also enables targeted accelerated precision breeding to create novel, commercial medicinal cannabis products. | Research project: expenditure charged against the income statement in the year incurred |
| 11. Medicinal Cannabis Microbials | This project aims to discover, characterise and assess novel microbes for providing resistance against fungal and bacterial diseases and increasing yields of medicinal cannabis plants. | Research project: expenditure charged against the income statement in the year incurred |
| 12. Endophyte Microbiome Library | This project aims to establish a collection of endophytic microbes isolated from a range of plants with bioprotection, biofertiliser and biostimulant activities for deployment in several crops to improve plant performance. | Research project: expenditure charged against the income statement in the year incurred |

**Note 1; Projects are defined as either Research or Development based on AASB Accounting Standards and AVS Accounting Policies.**

Of the 12 active investments, seven have had funding committed during the past six years, namely:

- OHV Blackleg Tolerant Canola, which started during the 30 June 2015 financial year
- Genome Edited Wheat and Forages, which started during the 30 June 2016 financial year
- OHV Russian Wheat Aphid Tolerant Wheat, which started during the 30 June 2017 financial year
- Novel Safflower Transformation (SaffBio™), which started during the 30 June 2017 financial year
- Novel Medicinal Cannabis (CannBio®), which started during the 30 June 2018 financial year
- Medicinal Cannabis Microbiome, which started during the 30 June 2018 financial year
- Endophyte Microbiome Library, which started during the 30 June 2018 financial year.

## **Review of operational performance** continued

> **"The seven AVS project investments funded since 2015 reflect a shift toward the development of patented, platform AVR technologies. This will enable accelerated rates of genetic gain in strategic crops of importance to Australia and the state."**

Earlier AVS project investments have typically been relatively low risk and had a shorter time to both product development and generation of financial returns.

Four of the 12 earlier AVS investments represent mature projects of this nature (HT Barley, HT Lentils, Primary Oilseeds, HOLL Canola) and have resulted in several elite new varieties being released to the market. The cultivars derived from these projects continue to deliver significant benefits to the Australian agriculture sector and generate positive financial returns to AVS.

The seven AVS project investments funded since 2015 reflect a shift toward the development of patented, platform AVR technologies. This will enable accelerated rates of genetic gain in strategic crops of importance to Australia and the state, with the platform technologies also having global licensing opportunities.

These latest projects require longer investment periods for product innovation and have a higher average investment cost per project.

### Investment fund performance

Key indicators used by AVS to measure performance of the AVS investment fund are provided in the table below:

**Table 5: Summary of AVS investment fund performance**

| Investment fund indicator | Performance (2019–20) | Performance (2018–19) |
|---|---|---|
| Value of the AVS investment portfolio (NPV) | In 2019–20, the investment fund NPV (excluding subsidiary entity Phytogene) amounted to $35.1 million, representing an increase of $2.7 million or 8 per cent on the prior year. The increase primarily reflects improved net NPVs in eight of the 12 current investments. In 2019–20, the investment fund NPV for the subsidiary (Phytogene) amounted to $3.5 million. | In 2018–19, the investment fund NPV (excluding subsidiary entity Phytogene) amounted to $32.4 million, representing an increase of $5.4 million or 20 per cent on the prior year. The increase primarily reflects the discounted value of two new investment projects approved by the board during the year. In 2018–19, the investment fund NPV for the subsidiary (Phytogene) amounted to $6.11 million. |
| Projects that attract private sector investment | In 2019–20, nine of the 12 active projects have attracted private sector investment to date. The commercial co-investment plans of three projects are on track. | In 2018–19, nine of the 12 active projects have attracted private sector investment to date. The commercial co-investment plans of three projects are on track. |
| Projects that generate new products | In 2019–20 no new investments were made. Four of the 12 current investment projects have been successful in generating commercial products, while a fifth project has products undergoing commercial glasshouse trials. The remaining seven projects are in technology development and evaluation phases with related product releases due in the next two to eight years. | In 2018–19 two new commercial products were released to the market by project technology licensees. They are PBA Hallmark XT from the HT lentil project and V7002CL from HOLL Canola.<br><br>Four of the 12 current investment projects have been successful in generating commercial products, while a fifth project has a product undergoing commercial field trials (with commercial release expected following regulatory approval). The remaining seven projects are in technology development and evaluation phases with related product releases due in the next three to eight years. |

## **Review of operational performance** continued

The fund performed in line with the investment performance measures established by the board, with projects attracting private sector investment in technology development and products in the market continuing to deliver impact for Australian farmers. Returns to AVS will ensure the fund is able to support further investment.

### Current investment project status

See below for background summaries and annual highlights for each of the Company's current investment projects.

#### *Phytogene Pty Ltd*

In 2019–20, Phytogene's LXR® alfalfa technology licensee, the Instituto de Agrobiotecnología de Rosario (INDEAR), successfully advanced its transformation and development of a triple-trait stacked LXR® alfalfa product, incorporating LXR® yield enhancement, alfalfa mosaic virus-resistance and aluminium tolerance.

Transgenic LXR® alfalfa events were obtained in 2019–20 that showed the presence of the LXR® trait technology as well as the two other targeted traits of interest. These triple-trait stacked LXR® alfalfa events were screened by INDEAR under glasshouse conditions in readiness for product field trials in 2020–21 and subsequent regulatory approval and future commercial release in Argentina, Uruguay and Brazil.

There is a strong value proposition for an LXR® triple-trait alfalfa product 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 livestock production regions. INDEAR activities in relation to LXR®-only alfalfa events under a separate licence with Phytogene were ceased in 2019–20 as a result to focus resources on delivering LXR® triple trait alfalfa.

In 2019–20 INDEAR conducted seed increases of LXR® wheat events and commenced phenotyping activities in screenhouses in Argentina, under licence with Phytogene. Field data from seed increases will be informative for the evaluation of the LXR® wheat events owing to the drought conditions in Argentina in 2019 (<150mm rainfall).

In 2019–20, the Faculty of Agronomy of the University of Buenos Aires (FAUBA) in Argentina (under licence with Phytogene) completed seed multiplication for field and animal performance trials of high-energy BET ryegrass events (introgressed into local and commercially relevant ryegrass varietal backgrounds). The trials being conducted by FAUBA will assess the effect of BET in perennial ryegrass under a dairy grazing regime with sheep and cattle and may further inform a prospective application for regulatory approval for future commercial release in Australia (should future legislation in Australian jurisdictions and market acceptance permit).

#### *Primary Oilseeds*

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

This project has been highly successful through its facilitation of the growth of a viable commercial canola breeding capacity in the private sector and through its generation of significant financial returns to help sustain the AVS investment fund. This project is near complete with the final canola varieties well-established in the market (ATR Bonito and ATR Wahoo).

#### *AVS HOLL Canola*

The AVS HOLL Canola investment project was established to develop High Oleic, Low Linolenic (HOLL) Brassica napus canola hybrids with tolerance to key herbicides. Oil produced from HOLL canola offers improved shelf-life and stability at high temperatures due to its oxidative stability, as well as lower saturated 'trans' fats. The Company's original co-investment with Cargill Inc. enabled the co-development of improved conventional and new herbicide-tolerant 'Victory' HOLL canola hybrids, primarily for Australian and North American production areas.

To date 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. The outlook is for growers to continue to adopt Victory HOLL canola technology through the current Cargill HOLL canola variety releases, including: Victory V5003RR; Victory V7001CL; and V7002CL.

## **Review of operational performance** continued

***Herbicide-Tolerant (HT) 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 grain growers. With this aim, AVS invested in a research and innovation project with the AVR for the development of HT barley.

Local seed partner, Seednet, was licensed to commercially release the world's first HT barley variety, Scope CL which was successfully commercialised in Australia and rapidly adopted by the Australian barley industry. This was supported by a licence signed between AVS and BASF Plant Science Company GmbH, which enabled the use of Intervix® herbicide on Clearfield® Scope barley pursuant to strict BASF stewardship and herbicide application protocols. A subsequent development and licence agreement was signed with InterGrain Pty Ltd which allows InterGrain to breed with and commercialise AVS' patented HT barley trait in Australia and to commercially release the next generation of HT barley varieties. Spartacus CL is the first HT barley variety released by InterGrain.

Seed from the next InterGrain HT barley variety, Maximus CL, will be made available to growers in 2021.

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

The project has successfully demonstrated proof of concept in several lentil varieties with tolerance to the Group B herbicide, imidazolinone. HT lentil varieties were further developed and, through a commercial licensee (PB Seeds Pty Ltd), underwent wide-scale commercial grower evaluation before release.

The first AVS HT lentil variety, PBA HeraldXT, was launched by PB Seeds in 2011. Subsequent varieties released included: PBA HurricaneXT; PBA HallmarkXT; and PBA HighlandXT which was commercially released by PB Seeds in 2019–20.

***OHV Blackleg-Tolerant Canola***
Optimal Haploid Value (OHV) selection is a novel genomic selection technology developed by AVR in collaboration with Corteva Agriscience™. The technology enables prediction of a plant's potential to produce an elite doubled haploid based on genome analysis. It represents a significant improvement over genomic selection, with the potential to provide the future basis for accelerated breeding in crops.

Blackleg disease is caused by a fungal pathogen that poses a significant threat to the Australian canola industry and is responsible for the greatest production losses for growers. Successful validation of this method by AVR through AVS investment will lead to enhanced prediction of blackleg disease resistance, shortening of the breeding process and accelerated delivery of elite new canola germplasm and varieties to grain growers.

Australian commercial canola breeding companies can apply to AVS for licences to deploy OHV technology for pre-breeding applications in canola targeting resistance to blackleg disease.

***OHV Russian-Wheat-Aphid Tolerant Wheat***
Russian wheat aphid (Diuraphis noxia) is a major insect pest of wheat worldwide, capable of causing high economic losses through yield reduction and cost of insecticide inputs.

This AVS investment project aims to develop and demonstrate the efficacy of OHV selection technology developed by AVR for use by wheat breeding companies, specifically to accelerate the development of new wheat varieties with resistance to Russian wheat aphid, while simultaneously increasing genetic gain for yield, rust disease resistance and other key breeding traits.

The resulting breeding tools and germplasm will be made available under licence by AVS to Australian commercial wheat breeding companies and are expected to deliver significant benefits to the local grains industry.

***Genome-Edited Wheat and Forages***
AVS has invested in a project to develop and validate platform technologies enabling precision genome editing in wheat and forages.

The resulting tools will enable plant breeding companies to develop new wheat and forage varieties with genome-editing-enabled traits in a targeted and accelerated manner.

## **Review of operational performance** continued

***Novel Safflower Platform (SaffBio®)***
AVS investment in the AVR's transformational genetic innovation platform for accelerated precision breeding in safflower is supporting the creation of a platform for accelerated precision breeding in safflower to enable the generation of safflower events producing high-value biomolecules with industrial and agricultural applications.

The project is also aiming to de-risk and demonstrate the commercial value of the new accelerated precision breeding platform by generating safflower events that produce RNAse5 in the seed, for commercial applications as a novel feedstock.

***Novel Medicinal Cannabis Genetics (CannBio®)***
This AVS investment project aims to develop and commercialise novel, AVR-developed medicinal cannabis strains in Australia for a range of medicinal products and applications, in alignment with the Victorian Government's industry plan *(Developing a medicinal cannabis industry in Victoria 2018–2021).*

This project will help create, license and deliver important, novel medicinal cannabis IP assets to support the development of a globally competitive new bioindustry in Victoria delivering healthcare outcomes.

> **"AVS investment will help create, license and deliver important, novel medicinal cannabis IP assets for the state and support the development of a competitive new bioindustry in Victoria."**

AVR has now established world-leading bioscience research capabilities and tools in this area, as well as Good Manufacturing Practice-accredited facilities for the cultivation and manufacture of medicinal cannabis. AVR has also developed more than 200 proprietary medicinal cannabis strains; sequenced more than 500 cannabis genomes to undertake a comprehensive pan-genome sequence analysis in medicinal cannabis; and carried out comprehensive metabolome and volatolome analysis in medicinal cannabis including major and minor cannabinoid analysis.

AVS investment is being used to facilitate industry uptake of these AVR-developed CannBio® innovations and expedite the development of a growth-oriented medicinal cannabis industry in Victoria.

The project is conducting targeted, accelerated, precision-breeding research to create a significant resource of proprietary, genome-edited medicinal cannabis strains with novel designer chemotype profiles, from deletions of a range of genes involved in the cannabinoid biosynthetic pathway. The project is also developing novel, proprietary CannBio® medicinal cannabis strains that can be licensed to suitably authorised companies to grow and extract medicinal cannabis products for domestic and export markets.

***Medicinal Cannabis Microbials***
This AVS investment project aims to discover, characterise and assess novel medicinal cannabis microbes that will provide a broad range of agronomical benefits to authorised medicinal cannabis growing companies.

The investment will deliver a significant resource of novel microbes derived from AVS' proprietary CannBio® medicinal cannabis genetics resource and other plant germplasm, which will be deployed as biostimulants, biofertilisers or bioprotectants, as well as a globally-unique, highly-valuable knowledge base of genes and DNA markers for quality control of both incidence and identity of bioactive microbes.

***Endophyte Microbiome Library***
This AVS investment project aims to establish a collection of endophytic microbes isolated from wild plants related to modern crops (from an endophyte collection of Australian native plants) with bioprotection, biofertiliser and biostimulant activities for deployment in several crops to improve plant performance and will provide a broad range of agronomical benefits to farmers. The resulting novel microbes will have the potential to increase crop productivity by either reducing costs of controlling pathogens, or by increasing yield and profitability.

In 2019–20 the targeted project outputs attracted interest from several agricultural companies with global biologicals-based business interests. The AVS microbes will likely be first deployed in wheat and soybean but may also be applied to other high-value crops.

# Corporate governance and organisation structure

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

## Company incorporation status

AVS is a private company incorporated under the provisions of the Corporations Act 2001 (Cth). The Victorian Government beneficially owns 100 per cent of the Company's issued capital with the shareholder being represented through the Minister for Agriculture.

AVS has five million issued shares that are held non-beneficially on behalf of the State of Victoria by Mr Simon Phemister, the Secretary of DJPR. 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, Jaclyn Symes MP, or her delegate shall from time to time direct.

## Responsibilities and composition of the board of directors

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

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

**The current board members are as follows:**

| Director | Appointment Term |
|---|---|
| Dr Clive Noble (Chairman to 30 June 2020) | 1 August 2011 to 30 June 2021 |
| Dr Richard Aldous | 1 November 2019 to 31 October 2022 |
| Ms Sam Andersen | 1 November 2019 to 31 October 2022 |
| Dr Amanda Caples | 1 November 2019 to 31 October 2022 |
| Dr Lesley Macleod | 1 July 2018 to 30 June 2021 |
| Mr Peter Turvey | 13 July 2012 to 31 July 2021 |

## Board committees

The Board has three sub-committees.

### Audit and Risk Management Committee

The purpose and objectives of the Audit and Risk Management Committee (ARMC) are defined in the AVS ARMC Charter and include oversight and advice on matters of accountability, compliance, performance and risk management. Members of the ARMC during 2019–20 were:

| | |
|---|---|
| Ms Sam Andersen | Chair of ARMC (stepping down from Chair 1 July 2020) and AVS director |
| Mr Peter Turvey | AVS director (appointed Chair from 1 July 2020) |
| Mr Geoff Harry | Independent member from 1 February 2018 |

The committee met four times during 2019–20.

The ARMC was assisted in the discharge of its duties by HLB Mann Judd Pty Ltd, which has been appointed as the Company's internal auditor for a seven-year period to 30 June 2022.

The main responsibilities of the ARMC are to:

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

## Corporate governance and organisation structure continued

**Remuneration Committee**
The Remuneration Committee meets on an as-needed basis to determine, approve and set remuneration terms and conditions for Company employees. All directors are members of the Remuneration Committee, which met once during 2019–20.

**Investment Committee**
The Investment Committee is constituted under the AVS investment policy and procedure. It is responsible for assisting and advising the AVS board on matters relating to the investment of AVS funds and their periodic review and valuation. All directors are members of the Investment Committee, which met six times during 2019–20.

### Policies and procedures

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

### Risk management

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

### Attestation for financial management compliance with Standing Direction 5.1.4

**Agriculture Victoria Services Pty Ltd Financial Compliance Attestation Statement:**

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

I, Sam Andersen, on behalf of Agriculture Victoria Services Pty Ltd, certify that the Agriculture Victoria Services Pty Ltd has complied with the applicable Standing Directions 2018 under the Financial Management Act 1994 and Instructions.

**Sam Andersen**
**AVS Director and Member Audit and Risk Management Committee**
**Agriculture Victoria Services Pty Ltd**
**31 August 2020**

## **Corporate governance and organisation structure** continued

### Executive management

AVS is led by its Chief Executive Officer who reports to the Chairman of the AVS board.

The Company has an executive management group comprising three senior employees who, as AVS executives, provide leadership and direction to ensure that the Company's objectives are achieved.

#### *Chief Executive Officer*

David Liesegang was appointed as Chief Executive Officer in November 2015, having previously held the role of Chief Operating Officer. David leads the AVS team of professional and support staff in the delivery of technology commercialisation, intellectual property and legal services to ensure the successful transfer of commercially valuable research outputs and science capability to the private sector.

#### *Chief Financial Officer and Company Secretary*

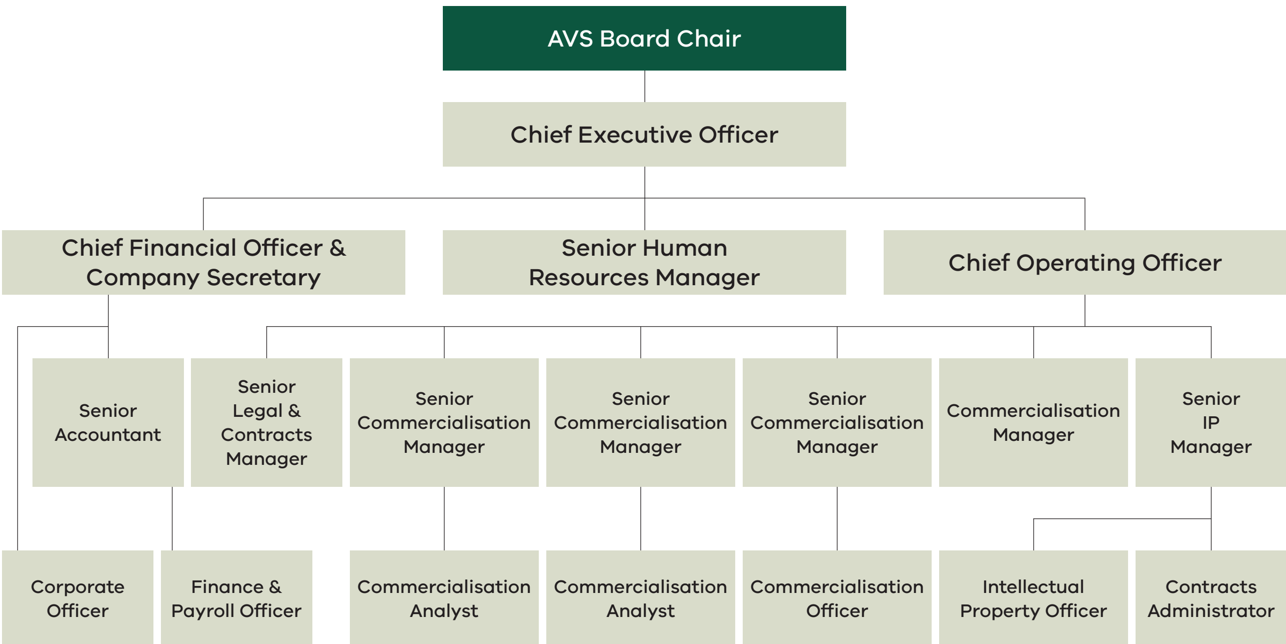
Martin Anderson was appointed as the Chief Financial Officer on 3 September 2019 and Company Secretary on 13 December 2019. Bruce Lang was Chief Financial Officer from 28 June 2019 to 3 September 2019 and Company Secretary from 15 May 2019 to 13 December 2019. Martin is responsible for the Company's financial planning and management, which includes budget preparation, monitoring and reporting, financial systems, human resources, and information technology.

As Company Secretary, Martin is also responsible for governance, risk management and corporate compliance frameworks and procedures and for providing board secretariat services to AVS and Phytogene Pty Ltd.

#### *Chief Operating Officer*

Appointed in July 2018, Denise Hodge is responsible for leading the Company's operations team of specialist commercialisation and intellectual property professionals in delivering effective IP protection, management and commercialisation of AVR-created technologies to maximise their adoption by industry and deliver economic benefits to Victoria.

Figure 5 – AVS Organisational Chart



## Corporate governance and organisation structure continued

### Employment principles

**Employee appointment principles**
AVS is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

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

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

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

The AVS Safety and Wellbeing Management System (SWMS) was approved by the AVS board in 2015.

The SWMS consists of a continuous improvement process; risk management framework; and a range of policies, procedures and guidelines.

During the 2019–20 financial year, AVS participated in several initiatives to improve the health, wellbeing and safety of staff and quarterly safety audits to identify and address any workplace risks.

Access to the Department's employee assistance program and its health and wellbeing portal was also available to AVS staff.

AVS achieved its health, wellbeing and safety targets for 2019–20 as described in the table below:

| 2019–20 health, wellbeing and safety targets | Target | Result |
|---|---|---|
| Lost time incidents – total | 0 | 0 |
| Accepted WorkCover claims | 0 | 0 |
| Percentage of employees having completed safety and wellbeing training including introductory or refresher course within last 24 months | 100% | 100% |
| Safety and wellbeing incidents – investigations begun within two business days of reporting | 100% | 100% |
| Percentage of site safety meetings attended by an AVS representative | 100% | 100% |

# Legislative framework

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

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

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 (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. 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 AVS insofar as AVS 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 an 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 AVS is subject to annual audit by the Auditor General of Victoria. At present the audit of AVS 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.

***Public Interest Disclosures 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.

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

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

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

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

**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 a secure email disclosure process)
Mail: IBAC, GPO Box 24234, Melbourne VIC 3000

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

**Disclosures under the *Public Interest Disclosure Act 2012***

| Disclosures | 2019–20 number | 2018–19 number |
|---|---|---|
| Number of disclosures made by an individual to IBAC | | |
| Assessable disclosures | Nil | Nil |

# Directors' report

The directors of Agriculture Victoria Services Pty Ltd (AVS) present their report together with the consolidated financial statements of AVS and its subsidiary, Phytogene Pty Ltd, for the year ended 30 June 2020 and the independent auditor's report thereon.

### Directors

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

- Dr Clive Noble
- Dr Richard Aldous
- Ms Sam Andersen
- Dr Amanda Caples
- Dr Lesley Macleod
- Mr Peter Turvey

All directors have been in office since the start of the financial year to the date of this report.

Details of the directors during the financial year, their qualifications, experience and membership of board sub-committees are set out in pages 8 and 9.

The Company Secretary from 1 July 2019 to 13 December 2019 was Mr Bruce Lang. Mr Martin Anderson has held the office of Company Secretary from 13 December 2019.

### Directors' meetings

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

| | Board of Directors | | Committees of the Board of Directors | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Full Board | | Audit & Risk Management | | Investment | | Remuneration | |
| | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held | No. of meetings attended | No. of meetings held |
| CL Noble | 6 | 6 | – | – | 6 | 6 | 1 | 1 |
| RTH Aldous | 6 | 6 | – | – | 6 | 6 | 1 | 1 |
| SD Andersen | 6 | 6 | 4 | 4 | 6 | 6 | 1 | 1 |
| A Caples | 6 | 6 | – | – | 6 | 6 | 1 | 1 |
| LC Macleod | 6 | 6 | – | – | 6 | 6 | 1 | 1 |
| PRE Turvey | 6 | 6 | 4 | 4 | 6 | 6 | 1 | 1 |

### Principal activities

During the year, the principal activities of AVS were:

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

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

### Financial performance

A detailed review of financial results is provided on pages 10 to 13. The net result for the consolidated entity for the year was $1.400 million (2019: $4.073 million).

## **Directors' report** continued

### Operational performance
A comprehensive review of operations is provided on pages 14 to 23.

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

### Dividends
The directors have neither declared nor recommended a dividend for the year ended 30 June 2020. No dividend has been paid during the year ended 30 June 2020 (2019: 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 AVS, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

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

### Impact of legislation and other external requirements
In addition to the Corporations Act, AVS is required to comply with additional legislation: these are detailed on page 28. This legislative framework reflects AVS status as an entity wholly owned by the State of Victoria.

### Environmental legislation
AVS 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 shares of the Group. The sole beneficial shareholder is the State of Victoria.

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

### Non-audit services
As required, the Victorian Auditor-General's Office has not performed any services for the Company and its subsidiary entity other than the audit and review of the annual financial 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's independence declaration
The auditor's independence declaration is set out on page 35 and forms part of the directors' report for the financial year ended 30 June 2020.

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

**Dr Clive Noble**
**Director**
**31 August 2020**

**Ms Sam Andersen**
**Director**
**31 August 2020**

# Annual financial statements 2019–20

Agriculture Victoria Services Pty Ltd (AVS) has presented its audited general purpose financial statements for the financial year ended 30 June 2020 in the following structure to provide users with the information about the AVS stewardship of resources entrusted to it.

## Directors' declaration

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

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

   a) giving a true and fair view of the Group's financial position as at 30 June 2020 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 31 August 2020.

**Dr Clive Noble**
**Director**
**31 August 2020**

**Ms Sam Andersen**
**Director**
**31 August 2020**

# Independent Auditor's Report

***To the Board of Agriculture Victoria Services Pty Ltd***

| | |
|---|---|
| **Opinion** | I have audited the consolidated financial report of Agriculture Victoria Services Pty Ltd (the company) and it controlled entities (together the consolidated entity), which comprises the:<br>• consolidated balance sheet as at 30 June 2020<br>• consolidated comprehensive operating statement for the year then ended<br>• consolidated statement of changes in equity for the year then ended<br>• consolidated cash flow statement for the year then ended<br>• notes to the financial statements, including significant accounting policies<br>• directors declaration.<br>In my opinion the financial report is in accordance with the *Corporations Act 2001* including:<br>• giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2020 and of their financial performance and cash flows for the year then ended<br>• 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.<br>My independence is established by the *Constitution Act 1975*. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.<br>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. |

| | |
|---|---|
| **Other Information** | The Board of the company is responsible for the Other Information, which comprises the information in the annual report for the year ended 30 June 2020, but does not include the financial report and my auditor's report thereon.<br><br>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard |
| **Board's responsibilities for the financial report** | The Board of the company is 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 Board determines 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.<br><br>In preparing the financial report, the Board is responsible for assessing the company and the consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so. |
| **Auditor's responsibilities for the audit of the financial report** | As required by the Audit Act 1994, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.<br><br>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:<br><br>• 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<br>• obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and the consolidated entity's internal control |

| | |
|---|---|
| | • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board<br>• conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company and the consolidated entity to cease to continue as a going concern.<br>• 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<br>• obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the company and the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the company and the consolidated entity. I remain solely responsible for my audit opinion. |
| **Auditor's responsibilities for the audit of the financial report (continued)** | I communicate with the Board 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.<br><br>I also provide the Board 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
3 September 2020

Simone Bohan
*as delegate for the Auditor-General of Victoria*

VAGO
Victorian Auditor-General's Office

# Auditor-General's Independence Declaration

**To the Board, 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 2020, 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
3 September 2020

Simone Bohan
*as delegate for the Auditor-General of Victoria*

## Consolidated comprehensive operating statement

For the financial year ended 30 June 2020

| | Notes | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| **Continuing operations** | | | |
| **Income from transactions** | | | |
| Revenue from services and royalties | 2 | 22,295,210 | 24,315,209 |
| Interest revenue | 2 | 404,248 | 826,041 |
| **Total income from transactions** | | **22,699,458** | **25,141,250** |
| **Expenses from transactions** | | | |
| Employee expenses | 3.2 | 2,167,653 | 2,079,712 |
| Depreciation and amortisation | 4.1.4 & 4.2.3 | 259,473 | 139,564 |
| Interest expense | 6.1.1 & 6.2.1(b) | 50,529 | 1,026 |
| Research and development, royalty and patent expenses | 3.3 | 17,627,728 | 17,084,299 |
| Operating expenses | 3.4 | 1,185,403 | 1,875,168 |
| **Total expenses from transactions** | | **21,290,786** | **21,179,770** |
| **Net result from transactions (net operating balance)** | | **1,408,672** | **3,961,481** |
| **Other economic flows included in net result** | | | |
| Net gain/(loss) on non financial assets [(a)] | 8.1 | - | 108,159 |
| Net gain/(loss) on financial instruments [(b)] | 8.1 | (6,524) | 4,662 |
| Other losses from other economic flows | 8.1 | (1,824) | (4,347) |
| **Total other economic flows included in net result** | | **(8,348)** | **108,474** |
| **Net result** | | **1,400,324** | **4,069,955** |
| **Comprehensive result** | | **1,400,324** | **4,069,955** |

The accompanying notes form part of these financial statements.

Notes:

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

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

## Consolidated balance sheet

As at 30 June 2020

| | Notes | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| **Assets** | | | |
| **Financial assets** | | | |
| Cash and deposits | 6.3 | 39,600,354 | 43,841,081 |
| Receivables | 5.1 | 2,106,417 | 4,672,702 |
| **Total financial assets** | | **41,706,771** | **48,513,783** |
| **Non financial assets** | | | |
| Plant, equipment and motor vehicle | 4.1.1 | 85,583 | 64,046 |
| Right-of-Use assets[(a)] | 4.1.2 | 815,838 | - |
| Intangible assets | 4.2.3 | 224,864 | 310,106 |
| Leasehold improvements | 4.1.3 | 652,802 | 694,746 |
| Other non-financial assets | 5.3 | 120,126 | 97,120 |
| **Total non financial assets** | | **1,899,213** | **1,166,028** |
| **Total assets** | | **43,605,984** | **49,679,811** |
| **Liabilities** | | | |
| Payables | 5.2 | 9,768,185 | 18,193,794 |
| Borrowings | 6.1 | 85,381 | 50,232 |
| Other liabilities[(a)] | 6.2.3 | - | 66,118 |
| Lease liability[(a)] | 6.2.1(a) | 1,044,469 | - |
| Employee related provisions | 3.2.2 | 356,444 | 296,543 |
| **Total liabilities** | | **11,254,478** | **18,606,687** |
| **Net assets** | | **32,351,506** | **31,073,124** |
| **Equity** | | | |
| Accumulated surplus[(a)] | | 27,351,506 | 26,073,124 |
| Contributed capital | 8.7 | 5,000,000 | 5,000,000 |
| **Net worth** | | **32,351,506** | **31,073,124** |

The accompanying notes form part of these financial statements

Note:

(a) Modified retrospective method was used when adopted AASB 16 Lease, the 2019 comparatives figures have not been restated.

## Consolidated cash flow statement

For the financial year ended 30 June 2020

| | Notes | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Receipts from customers | | 27,671,363 | 26,341,127 |
| Interest received | | 584,145 | 816,319 |
| Goods and services tax received from the ATO [a] | | 970,937 | - |
| **Total receipts** | | **29,226,445** | **27,157,446** |
| **Payments** | | | |
| Payments to suppliers and employees | | (33,290,264) | (18,145,563) |
| Goods and services tax paid to the ATO [a] | | - | (1,313,021) |
| Interest and other costs of finance paid | | (50,529) | (1,026) |
| **Total payments** | | **(33,340,793)** | **(19,459,610)** |
| **Net cash flows from/(used in) operating activities** | 6.3.2 | **(4,114,348)** | **7,697,836** |
| **Cash flows from investing activities** | | | |
| Payment for leasehold improvements in progress | | (6,678) | (586,081) |
| **Net cash flows from/(used in) investing activities** | | **(6,678)** | **(586,081)** |
| **Cash flows from financing activities** | | | |
| Repayment of borrowings | | (14,096) | (10,151) |
| Repayment of principal portion of lease liabilities (2019: operating leases) [b] | | (105,605) | - |
| **Net cash flows used in financing activities** | | **(119,701)** | **(10,151)** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(4,240,727)** | **7,101,604** |
| Cash and cash equivalents at beginning of financial year | | 43,841,081 | 36,739,477 |
| **Cash and cash equivalents at end of financial year** | 6.3 | **39,600,354** | **43,841,081** |

The accompanying notes form part of these financial statements.

Notes:

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

(b) The Group has recognised cash payments for the principal portion of lease payment as financing activities; cash payments for the interest portion as operating activities consistent with the presentation of interest payments and short-term lease payments for leases and low-value assets as operating activities.

## Consolidated statement of changes in equity

For the financial year ended 30 June 2020

| | Consolidated | | |
|---|---|---|---|
| | Accumulated surplus $ | Contributions by owner $ | Total $ |
| **Balance at 1 July 2018** | **22,003,169** | **5,000,000** | **27,003,169** |
| Net result for the year | 4,069,955 | - | 4,069,955 |
| **Balance at 30 June 2019** | **26,073,124** | **5,000,000** | **31,073,124** |
| **Balance at 1 July 2019 (Before new accounting standards)** | **26,073,124** | **5,000,000** | **31,073,124** |
| Change in accounting policy (due to AASB 16) (a) | (121,942) | - | (121,942) |
| **Restated Balance at 1 July 2019 (After new accounting standards)** | **25,951,182** | **5,000,000** | **30,951,182** |
| Net result for the year | 1,400,324 | - | 1,400,324 |
| **Balance at 30 June 2020** | **27,351,506** | **5,000,000** | **32,351,506** |

The accompanying notes form part of these financial statements.

Note:

(a) Under the new accounting standard AASB 16 Leases, all existing leases at 30 June 2019 will require adjustment of the opening balance as at 1 July 2019. Refer to Note 6.

# Notes to the financial statements

## 1. About this report

**introduction**

Agriculture Victoria Services Pty Ltd (the Company) is domiciled in Victoria, Australia and its registered office is at 5 Ring Road, Bundoora, VIC 3083, Australia.

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

These general purpose consolidated financial statements comprise the Company and its subsidiary, Phytogene Pty Ltd (together referred to as the 'Group').

A description of the nature of the Company's operations and its principal activities are included earlier in this annual report, which does not form part of these consolidated financial statements.

These consolidated financial statements were authorised for issue by the Directors of the Company on 31 August 2020.

### 1.1 Basis of preparation

The consolidated financial statements have been prepared on the following basis:

### 1.2 Currency

All figures are denominated in Australian dollars;

### 1.3 Historical Cost

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

### 1.4 Accrual Basis

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

### 1.5 Accounting Policies

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

### 1.6 Consolidation of Group Entities

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

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

The consolidated Group financial statements do not include separate financial statements for the parent, instead limited financial information of AVS is disclosed by way of note to these financial statements. Disclosures regarding AVS include the limited disclosures required by Reg. 2M.3.01 of the Corporations Regulations 2001.

Where Group entities have adopted dissimilar accounting policies and the effects of those differences are material to the group results, adjustments are made to ensure that consistent policies are adopted in these consolidated financial statements;

### 1.7 Judgements, Estimates and Assumptions

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

Estimates and associated assumptions are based on professional judgements derived from historical experience and other factors that are believed to be relevant in the circumstances.

Actual results in future reporting periods may differ from the estimates and assumptions made in these financial statements.

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

### 1.8 Compliance information

These consolidated general purpose financial statements 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. Where applicable, the consolidated general purpose financial statements have also been prepared in accordance with the 2019–20 Department of Treasury and Finance (DTF) Model Financial Report.

## Notes to the financial statements continued

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.

### 2. Funding delivery of our services

The Group is a specialist, professional entity responsible for the protection and commercialisation of novel technologies created by the leading biosciences and agriculture research undertaken by the Department of Jobs, Precincts and Regions, (the Department, DJPR).

The Group holds a significant IP portfolio on behalf of the Government of Victoria and other IP equity holders. The portfolio benefits the agricultural industry and the State's economy through the commercial application of the R&D outcomes.

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

2.1 Summary of income that funds the delivery of our services

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| **Revenue from services and royalties** | | |
| Income from supply of services | 12,551,498 | 11,267,124 |
| Royalty income | 9,743,712 | 13,048,085 |
| **Total revenue from services and royalties** | **22,295,210** | **24,315,209** |
| **Interest revenue** | | |
| Interest on bank deposits | 404,248 | 826,041 |
| **Total interest revenue** | **404,248** | **826,041** |
| **Total income from transactions** | **22,699,458** | **25,141,250** |

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group 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.

Revenue comprises revenue from the provision of intellectual property management and commercialisation services, interest income and royalty income from the intellectual property portfolio of the Group, the State and other IP equity holders.

Income from the supply of services is recognised by reference to the stage of completion of the services being performed. The income is recognised when:

- the amount of the income, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Group.

Under this method, income is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

Royalty income is recognised after the agricultural season to which the royalty earning activity relates and upon completion by the licensee of annual license reports as required under all license agreements.

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

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

## Notes to the financial statements continued

### 3. The cost of delivering services

**Introduction**

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

In Note 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of those 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 Group's major activities as follows:

| | Notes | Consolidated 2020 $ | 2019 $ |
|---|---|---|---|
| Employee benefit expenses | 3.2 | 2,167,653 | 2,079,712 |
| Research and development, royalty and patent expenses | 3.3 | 17,627,728 | 17,084,299 |
| Operating expenses | 3.4 | 1,185,403 | 1,875,168 |
| **Total expenses incurred in delivery of services** | | **20,980,784** | **21,039,179** |

**3.2 Employee benefit expenses**

**3.2.1 Employee benefits in the comprehensive operating statement**

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| Salaries and wages, annual leave and long service leave | 1,984,417 | 1,906,261 |
| Defined contribution superannuation expense | 180,632 | 170,948 |
| Defined benefit superannuation expense | 2,604 | 2,503 |
| **Total employee benefit expenses** | **2,167,653** | **2,079,712** |

Employee 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 Group does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, DTF discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the State as the sponsoring employer).

## Notes to the financial statements continued

### 3.2.2 Employee benefits in the balance sheet

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

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| **Current provisions:** | | |
| **Annual leave** | | |
| Unconditional and expected to settle within 12 months | 144,646 | 119,343 |
| **Long service leave** | | |
| Unconditional and expected to settle within 12 months | 59,312 | 52,394 |
| Unconditional and expected to settle after 12 months | 94,273 | 94,352 |
| **Provisions for on costs** | | |
| Unconditional and expected to settle within 12 months | 9,435 | 8,334 |
| Unconditional and expected to settle after 12 months | 14,996 | 15,008 |
| **Total current provisions for employee benefits** | **322,662** | **289,431** |
| **Non current provisions:** | | |
| Employee benefits | 29,146 | 6,136 |
| On costs | 4,636 | 976 |
| **Total non current provisions for employee benefits** | **33,782** | **7,112** |
| **Total provisions for employee benefits** | **356,444** | **296,543** |

Reconciliation of movement in provisions

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| **Opening balance** | **296,543** | **292,589** |
| Additional provisions recognised | 122,258 | 78,233 |
| Reductions arising from payments/other sacrifices of future economic benefits | (60,533) | (69,932) |
| Unwind of discount and effect of changes in the discount rate | (1,824) | (4,347) |
| **Closing balance** | **356,444** | **296,543** |
| Current | 322,662 | 289,431 |
| Non current | 33,782 | 7,112 |

## **Notes to the financial statements** continued

**Wages and salaries, annual leave and sick leave:** Liabilities for wages and salaries (including non monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the Group does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Group expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

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

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

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

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

The components of this current LSL liability are measured at:

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

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

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

**3.2.3 Superannuation contributions**
Employees of the Group are entitled to receive superannuation benefits and the Group contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

As noted before, the defined benefit liability is recognised in the financial statements of DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive operating statement of the Group.

| | Consolidated Paid contribution for the year | | Consolidated Contribution outstanding at year end | |
|---|---|---|---|---|
| | 2020 $ | 2019 $ | 2020 $ | 2019 $ |
| **Defined benefit plans [a]** | | | | |
| State Superannuation Fund | 1,953 | 1,877 | 651 | 626 |
| **Defined contribution plans** | | | | |
| VicSuper | 83,048 | 83,205 | 10,599 | 9,290 |
| Other | 76,473 | 73,281 | 10,512 | 5,172 |
| **Total** | **161,474** | **158,363** | **21,762** | **15,088** |

Note:
(a) The basis for determining the level of contributions is determined by the various actuaries of the defined benefit superannuation plans.

## Notes to the financial statements continued

### 3.3 Research and development, royalty and patent expenses

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Contract research and development project expenses | 10,546,538 | 8,181,113 |
| Royalty expenses | 5,251,222 | 6,723,782 |
| Patent expenses | 1,829,968 | 2,179,404 |
| **Total research and development, royalty and patent expenses** | **17,627,728** | **17,084,299** |

**Contract research and development project expense** include costs for research and development conducted by the Department. It is recognised as an expense in the period in which it is incurred.

**Royalty expenses** is the distribution of the royalties to Intellectual Property equity holders and are recognised as an expense in the reporting period in which they are incurred.

**Patent expenses** include protection, prosecution and annual renewal of Intellectual Property assets and are recognised as an expense in the reporting period in which they are incurred.

### 3.4 Operating expenses

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Low value lease expenses | 108,485 | 167,108 |
| Insurance | 84,358 | 85,840 |
| Legal | 244,828 | 829,227 |
| Consultants | 142,060 | 246,626 |
| Audit services | 75,630 | 66,415 |
| Other borrowing costs (other than interest) | 6,357 | 4,506 |
| Recruitment Costs | 40,970 | 30,653 |
| Directors Fees | 104,885 | 97,287 |
| Relocation Cost | - | 9,436 |
| Travel | 27,060 | 43,642 |
| Training | 57,074 | 34,353 |
| Subscriptions | 12,156 | 23,478 |
| Other operating expenses | 281,540 | 236,597 |
| **Total operating expenses** | **1,185,403** | **1,875,168** |

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

**Operating lease payments up until 30 June 2019** (including contingent rentals) are recognised on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset.

From 1 July 2019, the following lease payments are recognised on a straight-line basis:

- Short-term leases – leases with a term less than 12 months; and
- Low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset being leased) is no more than $10,000.

The consolidated entity recognised administrative resources lease expenses in low value leases category.

## Notes to the financial statements continued

### 4. Key assets available to support output delivery

**Introduction**

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

**Significant judgement: Classification of investments as 'key assets'**

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

**Fair value measurement**

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

**4.1.1 Plant, equipment and vehicles**

| | Gross carrying amount | | Accumulated depreciation | | Net carrying amount | |
|---|---|---|---|---|---|---|
| | 2020<br>$ | 2019<br>$ | 2020<br>$ | 2019<br>$ | 2020<br>$ | 2019<br>$ |
| Plant and equipment at fair value | 2,659 | 2,659 | (2,603) | (2,588) | 56 | 71 |
| Motor vehicles at fair value | 170,999 | 121,753 | (85,472) | (57,778) | 85,527 | 63,975 |
| **Net carrying amount** | **173,658** | **124,412** | **(88,075)** | **(60,366)** | **85,583** | **64,046** |

| | Plant, equipment and vehicles at fair value | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| **Opening balance – 1 July** | **64,046** | **45,815** |
| Additions | 49,245 | 59,356 |
| Disposals | - | (17,358) |
| Depreciation | (27,708) | (23,767) |
| **Closing balance – 30 June** | **85,583** | **64,046** |

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

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

The initial cost for non financial physical assets under a finance lease 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.

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

Vehicles are valued using the depreciated replacement cost method. The Group 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.

## Notes to the financial statements continued

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

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

There were no changes in valuation techniques throughout the period to 30 June 2020.

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

### 4.1.2 Right-of-use assets

| | Gross carrying amount 2020 $ | Accumulated depreciation 2020 $ | Net carrying amount 2020 $ |
|---|---|---|---|
| Right-of-use asset at fair value [(a)] | 913,739 | (97,901) | 815,838 |
| **Net carrying amount** | **913,739** | **(97,901)** | **815,838** |

Note: (a) AASB 16 Lease has been applied for the first time from 1 July 2019.

| | Right-of-use asset 2020 $ |
|---|---|
| **Opening balance** | **0** |
| Recognition of right-of-use assets on initial application of AASB 16 | - |
| Adjusted balance at 1 July 2019 | 913,739 |
| Depreciation | (97,901) |
| **Closing balance – 30 June 2020** | **815,838** |

**Initial recognition:** The initial cost of non-financial physical assets under a finance lease (under AASB 117 until 30 June 2019) 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.

**Right-of-use assets acquired by lessees (Under AASB 16 – Leases from 1 July 2019) – Initial measurement**
The consolidated entity recognises a right-of-use assets and a lease liabilities at the lease commencement date for all leases. Each right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

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

Refer to Note 6.4 for additional information on lease incentives.

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

## **Notes to the financial statements** continued

### 4.1.3 Leasehold improvements

| | Gross carrying amount | | Accumulated depreciation | | Net carrying amount | |
|---|---|---|---|---|---|---|
| | 2020 $ | 2019 $ | 2020 $ | 2019 $ | 2020 $ | 2019 $ |
| Leasehold improvements | 732,028 | 725,350 | (79,226) | (30,604) | 652,802 | 694,746 |
| **Net carrying amount** | **725,350** | **725,350** | **(79,226)** | **(30,604)** | **652,802** | **694,746** |

| | Leasehold Improvements | |
|---|---|---|
| | 2020 $ | 2019 $ |
| **Opening balance – 1 July** | **694,746** | **122,286** |
| Additions | 6,678 | 603,064 |
| Depreciation | (48,622) | (30,604) |
| **Closing balance – 30 June** | **652,802** | **694,746** |

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

**Initial recognition** The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

### 4.1.4 Depreciation Charges

| | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Plant and equipment | 16 | 21 |
| Motor vehicles | 27,692 | 23,746 |
| Leasehold improvements | 48,622 | 30,604 |
| Right-of-use assets | 97,901 | - |
| **Total depreciation** | **174,231** | **54,371** |

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

Depreciation 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.

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

## Notes to the financial statements continued

| Asset | Useful years |
|---|---|
| Vehicles (including leased assets) | 3 to 5 |
| Plant and equipment | 3 to 10 |
| Right-of-use asset (leased asset) | 10 |
| Leasehold improvements | 10 |

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

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).

### 4.2 Intangible assets

Intangible produced assets with finite useful lives are amortised as an expense from transactions 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.

### 4.2.2 Amortisation for the period

**Significant intangible assets**

The Group has capitalised the Primary Oilseeds and Holl Canola development program expenditure. The carrying amount of the capitalised development expenditure as follows.

The carrying amount of Primary Oilseeds is $1.507 million. Its useful life is 18 years and will be fully amortised in 2021.

The carrying amount of Holl Canola is $300,000. Its useful life is 19 years and will be fully amortised in 2026.

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| Intangible produced assets | 85,242 | 85,193 |
| **Total amortisation** | **85,242** | **85,193** |

Typical estimated useful lives for the intangible produced assets for current and prior years are included in the table below:

| Asset | Useful life (years) |
|---|---|
| Intangible produced assets | 4 to 20 |

## **Notes to the financial statements** continued

### 4.2.3 Reconciliation of movements in carrying amount of intangible assets

| | Primary Oilseeds development program (a) | | HOLL Canola (a) | | Computer software | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2020 $ | 2019 $ | 2020 $ | 2019 $ | 2020 $ | 2019 $ | 2020 $ | 2019 $ |
| **Gross carrying amount** | | | | | | | | |
| **Opening balance** | 1,506,677 | 1,506,677 | 300,000 | 300,000 | 15,796 | 15,796 | 1,822,473 | 1,822,473 |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| **Closing balance** | 1,506,677 | 1,506,677 | 300,000 | 300,000 | 15,796 | 15,796 | 1,822,473 | 1,822,473 |
| **Accumulated depreciation, amortisation and impairment** | | | | | | | | |
| **Opening balance** | (1,305,097) | (1,346,694) | (191,473) | (173,473) | (15,796) | (15,796) | (1,512,367) | (1,535,963) |
| Amortisation | (67,193) | (67,193) | (18,049) | (18,000) | - | - | (85,242) | (85,193) |
| Reversals of impairment losses charged to net result(b) | - | 108,790 | - | - | - | - | - | 108,790 |
| Written back on disposal | - | - | - | - | - | - | - | - |
| **Closing balance** | (1,372,290) | (1,305,097) | (209,523) | (191,473) | (15,796) | (15,796) | (1,597,609) | (1,512,367) |
| **Net book value at end of financial year** | 134,387 | 201,580 | 90,477 | 108,527 | - | - | 224,864 | 310,106 |

Notes:

(a) The Primary Oilseeds and HOLL Canola development programs represent internally generated intangible assets that have arisen from development expenditure.
(b) Reversal of impairment is included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement.

#### Initial recognition

**Purchased intangible assets** are initially recognised at cost. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Group. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

#### Subsequent measurement

Intangible produced assets with finite useful lives, are amortised as an 'expense from transactions' on a straight line basis over their useful lives.

#### Impairment of intangible assets

Intangible assets are tested annually for impairment and whenever there is an indication that the asset may be impaired are reflected in the annual financial statements.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal will not increase the asset's carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

## Notes to the financial statements continued

### 4.3 Interests in subsidiary entity

| | Ordinary share entity Interest | |
|---|---|---|
| | 2020 % | 2019 % |
| Controlled entities | | |
| **Phytogene Pty Ltd** | 100 | 100 |

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

The Company owns Phytogene share capital of $855,002. The investment is measured at historical cost and no impairment identified for year ended 30 June 2020.

Please refer to Note 1.1 for the principles of consolidation.

## **Notes to the financial statements** continued

## 5. Other assets and liabilities

**Introduction**

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

**5.1 Receivables**

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| **Current receivables** | | |
| **Contractual** | | |
| Sale of services and royalties | 1,340,372 | 3,607,983 |
| Accrued interest income | 871 | 180,767 |
| Other receivables | 46,427 | 29,936 |
| Amounts owed from DJPR | 49,018 | 37,886 |
| **Statutory** | | |
| GST input tax credit recoverable | 669,729 | 816,130 |
| **Total current receivables** | **2,106,417** | **4,672,702** |

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

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

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

The average credit period for sales of services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired. The Group does not hold any collateral as security nor credit enhancements relating to any of its financial assets. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

## Notes to the financial statements continued

### 5.2 Payables

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| **Current payables** | | |
| **Contractual** | | |
| Supplies and services | 602,030 | 414,356 |
| Amounts payable to DJPR | 5,786,172 | 15,201,894 |
| Other payables and accrued expenses | 1,048,312 | 1,806,749 |
| Unearned income | 2,007,000 | 501,750 |
| **Statutory** | | |
| FBT payable | 12,895 | 11,784 |
| Other taxes payable | 77,666 | 257,261 |
| GST payable | 234,110 | - |
| **Total current payables** | **9,768,185** | **18,193,794** |

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 Group prior to the end of the financial year that are unpaid; and
- **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.

The terms and conditions of amounts payable to the Department vary according to the particular agreements.

There are no contingent liabilities as at 30 June 2020 (2019: Nil).

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

| | Carrying amount $ | Nominal amount $ | Maturity dates: Less than 1 month $ | 1–3 months $ | 3 months – 1 year $ | 1+ years $ |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| Supplies and services | 602,030 | 602,030 | 52,030 | 550,000 | - | - |
| Amounts payable to DJPR | 5,786,172 | 5,786,172 | 5,679,447 | - | 106,725 | - |
| Unearned income | 2,007,000 | 2,007,000 | 2,007,000 | - | - | - |
| Other payables | 1,048,312 | 1,048,312 | 1,048,312 | - | - | - |
| **Total** | **9,443,514** | **9,443,514** | **8,786,789** | **550,000** | **106,725** | **-** |
| **2019** | | | | | | |
| Supplies and services | 414,356 | 414,356 | 410,234 | - | 4,122 | - |
| Amounts payable to DJPR | 15,201,894 | 15,201,894 | 3,628,574 | 11,573,320 | - | - |
| Unearned income | 501,750 | 501,750 | 501,750 | - | | |
| Other payables | 1,806,749 | 1,806,749 | 1,806,749 | - | - | - |
| **Total** | **17,924,749** | **17,924,749** | **6,347,307** | **11,573,320** | **4,122** | **-** |

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

## Notes to the financial statements continued

### 5.3 Other non-financial assets

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| **Current other assets** | | |
| Prepayments | 120,126 | 97,130 |
| **Total current other assets** | **120,126** | **97,130** |

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

## 6. Financing our operations

**Introduction**

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

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

### 6.1 Borrowings

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| **Current borrowings** | | |
| Lease liabilities – motor vehicles [(a)] | 18,182 | 10,533 |
| **Total current borrowings** | **18,182** | **10,533** |
| **Non current borrowings** | | |
| Lease liabilities – motor vehicles | 67,199 | 39,699 |
| **Total non current borrowings** | **67,199** | **39,699** |
| **Total borrowings** | **85,381** | **50,232** |

Notes:

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

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether the Group has categorised its interest bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest bearing liabilities. The Group determines the classification of its interest bearing liabilities at initial recognition.

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

## Notes to the financial statements continued

### 6.1.1 Interest expense

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| **Interest expense** | | |
| Interest on lease of motor vehicles | 2,253 | 1,026 |
| **Total interest expense** | **2,253** | **1,026** |

The Group's Interest expense represents costs incurred in connection with borrowings. It includes interest on interest components of finance lease repayments. The expense (excluding swap interest that is classified as another economic flow) is recognised in the period in which it is incurred.

### 6.1.2 Leases of motor vehicles

| | Minimum future lease payments [a] | | Present value of minimum future lease payments | |
|---|---|---|---|---|
| | 2020 $ | 2019 $ | 2020 $ | 2019 $ |
| **Lease liabilities payable – motor vehicles[b]** | | | | |
| Not longer than 1 year | 20,687 | 12,010 | 20,687 | 12,010 |
| Longer than 1 year but not longer than 2 years | 37,599 | 12,010 | 37,599 | 12,010 |
| Longer than 2 years | 31,315 | 28,921 | 31,315 | 28,921 |
| **Minimum future lease payments** | | | | |
| Less future finance charges | (4,220) | (2,709) | (4,220) | (2,709) |
| **Present value of minimum lease payments** | **85,381** | **50,232** | **85,381** | **50,232** |
| **Included in the financial statements as:** | | | | |
| Current borrowings lease liabilities (Note 6.1) | | | 18,182 | 10,533 |
| Non current borrowings lease liabilities (Note 6.1) | | | 67,199 | 39,699 |
| **Total** | | | **85,381** | **50,232** |

Notes:
(a) Minimum future lease payments include the aggregate of all base payments and any guaranteed residual.
(b) Finance leases relate to motor vehicles with a lease term of 3 years. The lessees have the option to purchase the vehicles for a nominal amount at the conclusion of the lease agreement.

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

## **Notes to the financial statements** continued

### 6.2 Leases

The consolidated entity leases premises for the use of office space. The lease contract is typically made for a fixed period of 10 years with an option to renew the lease after that date. The lease contract specifies base rent of $127,800 per annum and it will be reviewed on each anniversary of the commencement date. The consolidated entity leases IT equipment with contract terms of five years. These leases are leases of low value items. The entity has elected not to recognise right-of-use assets and lease liabilities for these leases due to the small values involved.

Right-of-use asset is presented in note 4.1.2.

#### 6.2.1(a) Lease liabilities for Right-of-use Assets

| | Consolidated 2020 $ |
|---|---|
| **Current** | |
| Lease liabilities – RoU Assets | 85,539 |
| **Total current liabilities** | **85,539** |
| **Non current borrowings** | |
| Lease liabilities – RoU Assets | 958,930 |
| **Total non current liabilities** | **958,930** |
| **Total liabilities for RoU Assets** | **1,044,469** |

#### 6.2.1(b) Amounts recognised in the statement of Comprehensive Operating Statement

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

| | Consolidated 2020 $ |
|---|---|
| **Interest expense on RoU lease liabilities** | **48,276** |
| **Total amount recognised in the statement of Comprehensive Operating Statement** | **48,276** |

#### 6.2.1(c) Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2020 relating to leases:

| | Consolidated 2020 $ |
|---|---|
| **Repayment of principal portion of lease liabilities** | **105,605** |
| **Total cash outflow for leases** | **105,605** |

## **Notes to the financial statements** continued

**New Treatment of Leased Assets**
For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration). To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

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

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

**Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)**
*Lease Liability – initial measurement*

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments);
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

*Lease Liability – subsequent measurement*

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

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

*Leases of low value assets*

The Group has elected to account for leases of low value assets using the practical expedients. Instead of recognising a right of use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight line basis over the lease term.

**Recognition and measurement of leases (under AASB 117 until 30 June 2019)**
In the comparative period, leases of office premises were classified as operating leases.

The operating leases were not recognised in the balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

## **Notes to the financial statements** continued

### 6.2.2 Operating Leases incentives

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| **Other liability** | | |
| Lease incentive liability | – | 66,118 |
| **Total other liability** | **-** | **66,118** |

**Recognition and measurement of lease incentives (under AASB 117 until 30 June 2019)**
The incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event lease incentives are given to the lessee, the aggregate cost of incentives is recognised as a reduction of rental income over the lease term, on a straight-line basis unless another systematic basis is more representative of the time pattern over which the economic benefit of the leased asset is diminished.

**Recognition and measurement of lease incentives (Under AASB 16 – Leases from 1 July 2019)**
AASB 16 transitional option C(8)(b)(ii) is applied in initially recognising ROU assets, the Group has sought clarification on whether outstanding lease incentive and straight-lining provisions on transition date carried over from AASB 117 and Interpretation 115 Operating Leases – Incentives should be:

- offset against the relevant ROU asset balances; or
- cleared to opening retained earnings.

The Group offset the lease incentives against the relevant ROU asset balances.

### 6.3 Cash flows information and balances

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

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

| | Consolidated | |
|---|---|---|
| | 2020 | 2019 |
| | $ | $ |
| Cash at bank and on hand | **2,333,408** | **4,586,709** |
| Deposits at call | **2,234,194** | **1,534,122** |
| Deposits < 90 days | 35,032,752 | 37,720,250 |
| **Balance as per cash flow statement** | **39,600,354** | **43,841,081** |

## Notes to the financial statements continued

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

| | Consolidated 2020 $ | 2019 $ |
|---|---|---|
| **Net result for the period** | **1,400,324** | **4,069,955** |
| **Non cash movements** | | |
| Loss on sale or disposal of non current assets | – | 631 |
| Depreciation and amortisation of non current assets | 259,473 | 139,564 |
| Impairment loss / (reversal) of intangible assets | – | (108,159) |
| **Movements in assets and liabilities** | | |
| (Increase)/decrease in receivables | 2,543,290 | (1,058,380) |
| Increase/(decrease) in payables | (8,425,612) | 4,584,154 |
| Increase/(decrease) in provisions | 59,901 | 3,954 |
| Increase/(decrease) in other liability | 48,276 | 66,118 |
| **Net cash flows from / (used in) operating activities** | **(4,114,348)** | **7,697,836** |

### 6.4 Commitments for expenditure

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

#### a) Research expenditure and operating lease commitments

| Nominal amounts 2020 | Less than 1 year $ | 1–5 years $ | Total $ |
|---|---|---|---|
| Research expenditure commitments payable | 621,500 | 275,000 | 896,500 |
| **Total commitments (inclusive of GST)** | **621,500** | **275,000** | **896,500** |
| Less GST recoverable | (56,500) | (25,000) | (81,500) |
| **Total commitments (exclusive of GST)** | **565,000** | **250,000** | **815,000** |

| Nominal amounts 2019 | Less than 1 year $ | 1–5 years $ | Total $ |
|---|---|---|---|
| Research expenditure commitments payable | 1,881,000 | 357,500 | 2,238,500 |
| Operating lease commitments payable | 122,074 | 488,294 | 1,139,293 |
| **Total commitments (inclusive of GST)** | **2,003,074** | **845,794** | **3,377,793** |
| Less GST recoverable | (182,098) | (76,890) | (307,072) |
| **Total commitments (exclusive of GST)** | **1,820,976** | **768,904** | **3,070,721** |

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

The future lease expenditures cease to be disclosed as commitments as the related liabilities were recognised in the balance sheet.

#### b) Capital commitments

There are no capital commitments as at 30 June 2020 (2019:nil).

## 7. Risks, contingencies and valuation judgements

### Introduction

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

### 7.1 Financial instruments specific disclosures

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

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

#### Categories of financial instruments

#### Financial assets at amortised cost

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

- the assets are held by the Group to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and 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 Group recognises the following assets in this category:

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

#### Financial liabilities at amortised cost

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

The Group recognises the following liabilities in this category:

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

#### Financial assets and liabilities at fair value through net result

Financial assets and liabilities are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that 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. The Group recognises foreign exchange gain or loss arising from receivables and payables in this category.

## Notes to the financial statements continued

### 7.1.1 Financial instruments: categorisation

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | 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 | 39,600,354 | - | - | 39,600,354 | 43,841,081 | - | - | 43,841,081 |
| Receivables [a] | | | | | | | | |
| Sale of services and royalties | - | 1,340,372 | - | 1,340,372 | - | 3,607,983 | - | 3,607,983 |
| Accrued interest income | - | 871 | - | 871 | - | 180,767 | - | 180,767 |
| Other receivables | - | 46,427 | - | 46,427 | - | 29,936 | - | 29,936 |
| Amounts owed from DJPR | - | 49,018 | - | 49,018 | - | 37,886 | - | 37,886 |
| **Total contractual financial assets** | **39,600,354** | **1,436,688** | **-** | **41,037,042** | **43,841,081** | **3,856,572** | **-** | **47,697,653** |
| **Contractual financial liabilities** | | | | | | | | |
| Payables [a] | | | | | | | | |
| Supplies and services | - | - | 602,030 | 602,030 | - | - | 414,356 | 414,356 |
| Amounts payable to DJPR | - | - | 5,786,172 | 5,786,172 | - | - | 15,201,894 | 15,201,894 |
| Other payables | - | - | 1,048,312 | 1,048,312 | - | - | 1,806,749 | 1,806,749 |
| Borrowings | | | | | | | | |
| Lease liabilities – Motor Vehicles | - | - | 85,381 | 85,381 | - | - | 50,232 | 50,232 |
| Lease liabilities – RoU Assets | - | - | 1,044,469 | 1,044,469 | - | - | - | - |
| **Total contractual financial liabilities** | **-** | **-** | **8,566,364** | **8,566,364** | **-** | **-** | **17,473,231** | **17,473,231** |

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

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

| 2020 | Net holding gain/(loss) | Total interest income/ (expense) | Fee income/ (expense) | Impairment loss | Total |
|---|---|---|---|---|---|
| **Contractual financial liabilities** | | | | | |
| Financial liabilities at amortised cost | (6,524) | - | - | - | (6,524) |
| **Total contractual financial liabilities** | **(6,524)** | **-** | **-** | **-** | **(6,524)** |

| 2019 | Net holding gain/(loss) | Total interest income/ (expense) | Fee income/ (expense) | Impairment loss | Total |
|---|---|---|---|---|---|
| **Contractual financial liabilities** | | | | | |
| Financial liabilities at amortised cost | 4,662 | - | - | - | 4,662 |
| **Total contractual financial liabilities** | **4,662** | **-** | **-** | **-** | **4,662** |

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

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

- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost.

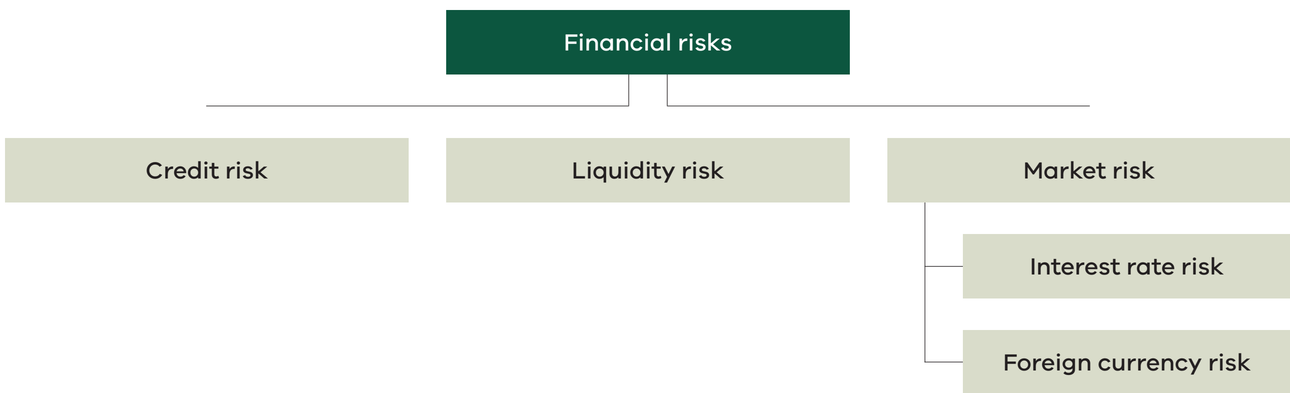
### 7.1.3 Financial risk management objectives and policies

As a whole, the Group's financial risk management program seeks to manage these risks and the associated 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 7.3.

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

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



## **Notes to the financial statements** continued

**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 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 Group's contractual 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 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 and financial institutions with high credit ratings.

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 Group's maximum exposure to credit risk without taking into account the value of any collateral obtained is the carrying amount of financial assets as detailed in table 7.1.1

There has been no material change to the consolidated entity's credit risk profile in 2019–20.

**Financial instruments: Liquidity risk**
Liquidity risk arises from being unable to meet financial obligations as they fall due. The consolidated entity operates under a 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 is exposed to liquidity risk mainly through the financial liabilities as disclosed in the balance sheet. 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.

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

*Sensitivity disclosure analysis and assumptions*

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

- a movement of 25 basis points up and down (25 basis points up and down) in market interest rates (AUD);

**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 consolidated entity 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 consolidated entity has minimal exposure to cash flow interest rate risks through cash and deposits and term deposits that are at 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 determined that cash at bank can be left at a 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 and the consolidated entity's sensitivity to interest rate risk are set out in the table that follows.

## Notes to the financial statements continued

### Interest rate exposure of financial instruments for the consolidated entity 2020

| 2020 | Weighted average interest rate % | Carrying amount $ | Fixed interest rate $ | Variable interest rate $ | Non interest bearing $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **Cash and deposits** | | | | | |
| Cash at bank | 0.05 | 2,333,408 | - | 2,333,408 | - |
| Deposits at call | 0.51 | 2,234,194 | - | 2,234,194 | - |
| Deposits < 90 days | 0.85 | 35,032,752 | 35,032,752 | - | - |
| **Receivables** [(a)] | | | | | |
| Sale of services and royalties | - | 1,340,372 | - | - | 1,340,372 |
| Accrued interest income | - | 871 | - | - | 871 |
| Other receivables | - | 46,427 | - | - | 46,427 |
| Amounts owed from DJPR | - | 49,018 | - | - | 49,018 |
| **Total financial assets** | | **41,037,042** | **35,032,752** | **4,567,602** | **1,436,688** |
| **Financial liabilities** | | | | | |
| **Payables** [(a)] | | | | | |
| Supplies and services | - | 602,030 | - | - | 602,030 |
| Amounts payable to DJPR | - | 5,786,172 | - | - | 5,786,172 |
| Other payables | - | 1,048,312 | - | - | 1,048,312 |
| **Borrowings** | | | | | |
| Lease liabilities – Motor Vehicles | 3.25 | 85,381 | 85,381 | - | - |
| Lease liabilities – RoU Assets | 4.91 | 1,044,469 | 1,044,469 | - | - |
| **Total financial liabilities** | | **8,566,364** | **1,129,850** | **-** | **7,436,514** |

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

### Interest rate exposure of financial instruments for the consolidated entity 2019

| 2019 | Weighted average interest rate % | Carrying amount $ | Fixed interest rate $ | Variable interest rate $ | Non interest bearing $ |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **Cash and deposits** | | | | | |
| Cash at bank | 0.05 | 4,586,709 | - | 4,586,709 | - |
| Deposits at call | 1.45 | 1,534,122 | - | 1,534,122 | - |
| Deposits < 90 days | 1.97 | 37,720,250 | 110,026 | 37,610,224 | - |
| **Receivables** [(a)] | | | | | |
| Sale of services and royalties | - | 3,607,983 | - | - | 3,607,983 |
| Accrued interest income | - | 180,767 | - | - | 180,767 |
| Other receivables | - | 29,936 | - | - | 29,936 |
| Amounts owed from DEDJTR | - | 37,886 | - | - | 37,886 |
| **Total financial assets** | | **47,697,653** | **110,026** | **43,731,055** | **3,856,572** |
| **Financial liabilities** | | | | | |
| **Payables** [(a)] | | | | | |
| Supplies and services | - | 414,356 | - | - | 414,356 |
| Amounts payable to DEDJTR | - | 15,201,894 | - | - | 15,201,894 |
| Other payables | - | 1,806,749 | - | - | 1,806,749 |
| **Borrowings** | | | | | |
| Finance lease liabilities | 3.25 | 50,232 | 50,232 | - | - |
| **Total financial liabilities** | | **17,473,231** | **50,232** | **-** | **17,422,999** |

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 consolidated entity

| 2020 | Carrying amount | -25 basis points [(a)] Net result | +25 basis points Net result |
|---|---|---|---|
| **Financial assets** | | | |
| **Cash and deposits** | | | |
| Cash at bank | 2,333,408 | (5,834) | 5,834 |
| Deposits at call | 2,234,194 | (5,585) | 5,585 |
| Deposits < 90 days | 35,032,752 | (87,582) | 87,582 |
| **Total impact** | **39,600,354** | **(99,001)** | **99,001** |

Note:
(a) The sensitivity rate has reduced in 2020 to 25 basis points to reflect the lower rates of interest received.

## Notes to the financial statements continued

| 2019 | Carrying amount | -100 basis points [a] Net result | +100 basis points Net result |
|---|---|---|---|
| **Financial assets** | | | |
| **Cash and deposits** | | | |
| Cash at bank | 4,586,709 | (45,867) | 45,867 |
| Deposits at call | 1,534,122 | (15,341) | 15,341 |
| Deposits < 90 days | 37,720,250 | (377,203) | 377,203 |
| **Total impact** | **43,841,081** | **(438,411)** | **438,411** |

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

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

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

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

The Group's receivables and payables are not exposed to foreign currency movements in 2020. (2019: up and down by $9,783).

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

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively. There are no contingent assets and liabilities as at 30 June 2020. (2019: Nil)

**7.3 Fair value determination**
*Significant judgement: Fair value measurements of assets and liabilities*
Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Group.

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

- financial assets and liabilities;
- plant, equipment and vehicle.

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

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

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

No transfers between Levels was required during the 2019–20 financial year. (2018–19: Nil)

# Notes to the financial statements continued

### How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value);
- which level of the fair value hierarchy was used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  - a reconciliation of the movements in fair values from the beginning of the year to the end; and
  - details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer to Note 7.3.1) and non-financial physical assets (refer to Note 7.3.2).

### Fair value determination of financial assets and liabilities

The Group 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 2019–20 reporting period.

These financial instruments include:

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

### Fair value determination of non-financial assets

The fair values and net fair values of non- financial 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.

## **Notes to the financial statements** continued

### Fair value measurement hierarchy

| 2020 | Carrying amount as at 30 June 2020 | Fair value measurement at end of reporting period using: Level 1 [a] | Level 2 [a] | Level 3 [a] |
|---|---|---|---|---|
| **Plant, equipment and vehicles at fair value** | | | | |
| Vehicles | 85,527 | n.a | - | 85,527 |
| Plant and equipment | 56 | n.a | - | 56 |
| Right of Use assets | 815,838 | n.a | - | 815,838 |
| Leasehold improvement | 652,802 | n.a | - | 652,802 |
| Intangible assets | 224,864 | n.a | - | 224,864 |
| **Total non-financial assets at fair value** | **1,779,087** | | | **1,779,087** |

Note: (a) Classified in accordance with the fair value hierarchy

| 2019 | Carrying amount as at 30 June 2019 | Fair value measurement at end of reporting period using: Level 1 [a] | Level 2 [a] | Level 3 [a] |
|---|---|---|---|---|
| **Plant, equipment and vehicles at fair value** | | | | |
| Vehicles | 63,975 | n.a. | - | 63,975 |
| Plant and equipment | 71 | n.a. | - | 71 |
| Leasehold improvement | 694,746 | n.a. | - | 694,746 |
| Intangible assets | 310,106 | n.a. | - | 310,106 |
| **Total non-financial assets at fair value** | **1,068,898** | | | **1,068,898** |

Note: (a) Classified in accordance with the fair value hierarchy

## Notes to the financial statements continued

**Vehicles** are valued using the depreciated replacement cost method. The Group 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.

**Right of Use** assets are valued at cost which comprises the initial amount of the lease liability adjusted of any lease payments made at or before the commencement date less any lease incentive received. The RoU assets are depreciated on a straight-line basis over the lease term.

**Leasehold improvements** are valued using the depreciated replacement cost method. Upon completion and hand over of the leasehold improvement assets, total costs incurred are capitalised as a Non-Current Asset. Leasehold Improvements are amortised over the lease term.

**Plant and equipment** are 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.

**Intangible assets** are valued at the lower amortised value or NPV of future cash flows.

There were no changes in valuation techniques throughout the period to 30 June 2020.

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

**Description of significant unobservable inputs to Level 3 valuations**

| 2019 and 2020 | Valuation technique [a] | Significant unobservable inputs [a] |
|---|---|---|
| **Vehicles** | Current replacement cost | Cost per unit<br>Useful life of vehicles |
| **Plant and equipment** | Current replacement cost | Cost per unit<br>Useful life of plant and equipment |
| **Right of Use assets** | Initial amount of the lease liability adjusted of any lease incentive received | Book Value<br>The remaining term of the lease |
| **Leasehold improvement** | Current replacement cost | Cost per unit<br>The remaining term of the lease |
| **Intangible assets** | NPV of future cash flow | Book value |

Note (a) Significant unobservable inputs have remained unchanged since June 2019.

## **Notes to the financial statements** continued

## 8. Other disclosures

### Introduction

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

### 8.1 Other economic flows included in net result

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include 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
- the reversal of an asset impairment; and
- transfer of amounts from the reserves to accumulated surplus or net result due to a disposal or derecognition or reclassification.

| | 2020<br>$ | 2019<br>$ |
|---|---|---|
| **Net gain/(loss) on non financial assets** | | |
| Reversal of impairment of intangible assets [(a)] | - | 108,790 |
| Net gain/(loss) on disposal of property plant and equipment | - | (631) |
| **Total net gain/(loss) on non financial assets** | **-** | **108,159** |
| **Net gain/(loss) on financial instruments** | | |
| Net FX gain/(loss) arising from foreign cash and transaction | (6,524) | 4,662 |
| **Total net gain/(loss) on financial instruments** | **(6,524)** | **4,662** |
| **Other gains/(losses) from other economic flows** | | |
| Net gain/(loss) arising from revaluation of long service liability [(b)] | (1,824) | (4,347) |
| **Total other gains/(losses) from other economic flows** | **(1,824)** | **(4,347)** |

Notes: (a) Reversal of impairment on Primary Oilseeds investment due to improved NPV of future cash flows.
(b) Revaluation gain/(loss) due to changes in bond rates

# Notes to the financial statements continued

**8.2 Change in accounting policy – AASB 16 Leases**
This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements.

The Group has applied AASB 16 with a date of initial application of 1 July 2019.

The Group has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, the Group determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 determining whether an arrangement contains a Lease. Under AASB 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.2.

On transition to AASB 16, the Group applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB 16 was applied to contracts entered into or changed on or after 1 July 2019.

*Leases classified as operating leases under AASB 117*

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low value leases.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Department's incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or lease incentives relating to that lease recognised in the balance sheet as at 30 June 2019.

The Group has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application, and
- For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date

*Impacts on financial statements*

On transition to AASB 16, $913,739 of right-of-use assets and $1,044,469 of lease liabilities were recognised.

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

**Responsible Minister**
The person who held the position of responsible minister is the Minister for Agriculture, Jaclyn Symes MP. This position was held for the full financial year 1 July 2019 to 30 June 2020.

**Remuneration of Responsible Minister**
No remuneration is paid by the Group to the responsible minister.

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

## **Notes to the financial statements** continued

**Responsible Persons**
The persons who held the positions of directors and accountable officers in the Group during the financial year are as follows:

| | |
|---|---|
| Dr C. Noble (AVS Chairman and Phytogene Director) | 1 July 2019 to 30 June 2020 |
| Dr L. Macleod (AVS Director) | 1 July 2019 to 30 June 2020 |
| Dr R. Aldous (AVS Director) | 1 July 2019 to 30 June 2020 |
| Ms S. Andersen (AVS Director) | 1 July 2019 to 30 June 2020 |
| Dr A Caples (AVS Director) | 1 July 2019 to 30 June 2020 |
| Mr P. Turvey (AVS Director and Phytogene Chairman) | 1 July 2019 to 30 June 2020 |
| Prof. G. Spangenberg (Phytogene Director) | 1 July 2019 to 30 June 2020 |
| Mr D. Liesegang (AVS CEO and Phytogene EO) | 1 July 2019 to 30 June 2020 |

**Remuneration of Directors & Accountable Officers**
Remuneration received or receivable by each director of the Board in connection with the management of the Company during the reporting period was in the range: $20,000 – $30,000 ($19,000 – $29,000 in 2018–19).

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

Remuneration received or receivable by the accountable officer in connection with management of the Group during reporting period was in the range: $290,000 to $300,000 ($290,000 to $300,000 in 2018–19).

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

**8.4 Remuneration of executives**
The number of executive officers, other than directors and the responsible minister, and their total remuneration during the reporting period are shown in the table below.

Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

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

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

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

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

| Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4) | Total remuneration 2020 $ | 2019 $ |
|---|---|---|
| Short-term employee benefits | 588,917 | 575,141 |
| Post-employment benefits | 54,803 | 53,431 |
| Other long-term benefits | 83,643 | 55,955 |
| Termination benefits | - | 11,243 |
| **Total remuneration [(a)]** | **727,354** | **695,770** |
| **Total number of executives** | **4** | **5** |
| **Total annualised employee equivalents [(b)]** | **3** | **3** |

Notes: (a) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.5).
(b) Annualised employee equivalent is based on the time fraction worked over the reporting period.

## **Notes to the financial statements** continued

### 8.5 Related parties

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

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

#### Subsidiary

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

#### Key management personnel

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

| | |
|---|---|
| Dr C. Noble (AVS Chairman and Phytogene Director) | 1 July 2019 to 30 June 2020 |
| Dr L. Macleod (AVS Director) | 1 July 2019 to 30 June 2020 |
| Dr R. Aldous (AVS Director) | 1 July 2019 to 30 June 2020 |
| Ms S. Andersen (AVS Director) | 1 July 2019 to 30 June 2020 |
| Dr A Caples (AVS Director) | 1 July 2019 to 30 June 2020 |
| Mr P. Turvey (AVS Director and Phytogene Chairman) | 1 July 2019 to 30 June 2020 |
| Prof. G. Spangenberg (Phytogene Director) | 1 July 2019 to 30 June 2020 |
| Mr D. Liesegang (AVS CEO and Phytogene EO) | 1 July 2019 to 30 June 2020 |

| Compensation of KMPs | Consolidated | |
|---|---|---|
| | 2020 $ | 2019 $ |
| Short-term employee benefits | 338,538 | 316,596 |
| Post-employment benefits | 31,650 | 29,733 |
| Other long-term benefits | 68,521 | 52,865 |
| **Total remuneration [(a) (b) (c)]** | **438,709** | **399,194** |

Note: (a) The remuneration paid to Directors is discussed in Note 8.3 and the remuneration paid to executives is discussed in Note 8.4.
(b) No remuneration paid to Directors of subsidiary.
(c) No remuneration paid to the two directors employed by Victorian Public Service.

#### Transactions and balances with key management personnel and other related parties

The Group's employment processes occur 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.

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

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

## **Notes to the financial statements** continued

### 8.6 Significant commercial transactions with the State of Victoria

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

For the year ended 30 June 2020 the Victorian Government's Department of Jobs, Precincts and Regions (DJPR) was the major supplier and customer of services to the Group. These services were provided on a normal commercial basis. The value of transactions between the Company and related parties for the financial year were as follows:

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| **Revenues** | | |
| Received from the DJPR | 3,548,205 | 2,673,289 |
| **Expenses** | | |
| Paid to the DJPR | 15,517,971 | 5,652,343 |
| **Receivables** | | |
| Receivable from the DJPR | 49,018 | 37,886 |
| **Payables** | | |
| Payable to the DJPR | 5,786,172 | 15,201,894 |

# Notes to the financial statements continued

### 8.7 Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1.1 for a summary of the significant accounting policies relating to the Group.

### Investments in subsidiary

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

| Parent Entity Balance Sheet | 2020 $ | 2019 $ |
|---|---|---|
| **Assets** | | |
| **Financial assets** | | |
| Cash and deposits | 39,528,520 | 43,708,369 |
| Receivables | 2,226,084 | 4,771,804 |
| Other financial assets | 855,002 | 855,002 |
| **Total financial assets** | **42,609,606** | **49,335,175** |
| **Non financial assets** | | |
| Plant, equipment and motor vehicle | 85,583 | 64,046 |
| Intangible assets | 224,864 | 310,106 |
| Right of Use assets | 815,838 | - |
| Leasehold Improvements in progress | 652,802 | 694,746 |
| **Total non financial assets** | **1,779,087** | **1,068,898** |
| **Total assets** | **44,388,693** | **50,404,073** |
| **Liabilities** | | |
| Payables | 9,756,730 | 18,183,340 |
| Borrowings | 85,381 | 50,232 |
| Other liabilities | - | 66,118 |
| Right of Use liability | 1,044,469 | - |
| Employee related provisions | 356,444 | 296,543 |
| **Total liabilities** | **11,243,024** | **18,596,233** |
| **Net assets** | **33,145,669** | **31,807,840** |
| **Equity** | | |
| Accumulated surplus/(deficit) | 28,145,669 | 26,807,840 |
| Contributed capital | 5,000,000 | 5,000,000 |
| **Net worth** | **33,145,669** | **31,807,840** |

| Parent Entity Profit and Loss Statement | 2020 $ | 2019 $ |
|---|---|---|
| Net result from transactions (net operating balance) | 1,468,118 | 4,027,782 |
| Other economic flows included in net result | (8,348) | 108,487 |
| **Total Comprehensive result** | **1,459,770** | **4,136,269** |

## **Notes to the financial statements** continued

**Contingent assets and liabilities of the parent entity**
The parent entity provides a Bank Guarantee in the sum of $35,000 to Plenary Research Pty Ltd (the Landlord) under a lease agreement. It is to secure the Landlord against loss or damage resulting from an Event or Default.

There are no contingent assets and liabilities as at 30 June 2020. (2019: nil)

**Capital commitments of the parent entity**
There are no capital commitments as at 30 June 2020. (2019: nil)

**Share capital**
5,000,000 fully paid ordinary shares $5,000,000 in 2020. (2019: $5,000,000)

### 8.8 Remuneration of auditors

| | Consolidated | |
|---|---|---|
| | 2020<br>$ | 2019<br>$ |
| **Audit the financial statements** | | |
| Victorian Auditor-General's Office | 44,100 | 50,000 |
| **Internal Audit Services** | | |
| HLB Mann Judd Pty Ltd | 31,530 | 16,415 |
| **Other non-audit services** [(a)] | - | - |
| **Total remuneration of auditors** | **75,630** | **66,415** |

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

### 8.9 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 Group.

### 8.10 Other accounting policies and presentation of financial statements

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

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

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

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

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

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

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

## Notes to the financial statements continued

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

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

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

### Cash Flow Statement
Cash flows are classified 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 State Government of Victoria. The company and its controlled entities are exempt from income tax under Section 24AO Income Tax Assessment Act and as such does not adopt tax effect accounting.

### Compliance information
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.

### 8.11 Australian Accounting Standards issued that are not yet effective
Certain new and revised accounting standards have been issued but are not effective for the 2019–20 reporting period. These accounting standards have not been applied to these Financial Statements. The Group is reviewing its existing policies and assessing the potential implications of these accounting standards which include:

- AASB 2018–7 Amendments to Australian Accounting Standards – Definition of Material

This Standard principally amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. The Group has not earlier adopted the Standard.

The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.

The Group is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

- AASB 2020–1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current

## **Notes to the financial statements** continued

This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 Classification of Liabilities as Current or Non-Current – Deferral of Effective Date with the intention to defer the application by 1 year to periods beginning on or after 1 January 2023. The Group will not early adopt the Standard.

The Group is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods but are considered to have limited impact on the Group's reporting.

- AASB 17 Insurance Contracts.
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).
- AASB 2018–6 Amendments to Australian Accounting Standards – Definition of a Business.
- AASB 2019–1 Amendments to Australian Accounting Standards – References to the Conceptual Framework.
- AASB 2019–3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform.
- AASB 2019–5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia.
- AASB 2020–2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.

### 8.12 Glossary of technical terms

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

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

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

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

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

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

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

**Financial asset** is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:
- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

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

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

## **Notes to the financial statements** continued

**Financial liability** is any liability that is:

(a) a contractual obligation:

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

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

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

**Financial statements** comprise:

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

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

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

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

**Net financial liabilities** are a broad measure in the general government sector of net debt and superannuation liabilities.

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

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

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

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

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

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

## **Notes to the financial statements** continued

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

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

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

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

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

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

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

### 8.13 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 government departments/agencies in the 2019–20 Model Report for Victorian Government Departments/Agencies. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Group's annual reports.

# Appendix 1: Acronyms and glossary of terms

| Term | Meaning |
| --- | --- |
| AVS | Agriculture Victoria Services Pty Ltd |
| AAS | Australian Accounting Standards |
| AASB | Australian Accounting Standards Board |
| ATO | Australian Taxation Office |
| AVR | Agriculture Victoria Research branch of DJPR |
| ARMC | Audit & Risk Management Committee |
| BET | Biomass Enhancement Technology |
| CRC | Cooperative Research Centre |
| Department or DJPR | The State of Victoria's Department of Jobs, Precincts and Regions |
| DTF | Department of Treasury and Finance |
| Event | A plant, plant cell, plant cell culture, and/or plant tissue that phenotypically expresses one or more plant traits and that is protected by intellectual property rights. |
| ExZact® | A precision genome editing technology using zinc finger nucleases proprietary to Corteva Agriscience™ that helps enable plant breeders to deliver better hybrids and varieties more efficiently, as well as offer plant scientists additional resources to provide improvements in plant biotechnology. |
| Fungal endophyte | A fungus that lives within a plant, is naturally occurring and lives harmoniously with the host plant. |
| Genome editing (or 'gene editing') | Genome editing is a precision breeding method that involves targeting changes to an organism's own DNA sequence by guiding the organism's DNA repair mechanism to make targeted modifications to the genome. |
| Genome modification (or 'GM') | Genetic modification is a breeding method that involves the addition of a gene construct into an organism's own DNA sequence. |
| Genomic selection | A breeding method that provides a simple, accelerated and inexpensive approach to dissecting complex traits and estimating the breeding values of plants and animals. |
| GST | Goods and Services Tax |
| HOLL | High Oleic, Low Linolenic |
| HT | Herbicide Tolerant |
| IBAC | Independent Broad-based Anti-corruption Commission |
| ICT | Information and Communications Technology |
| IP | Intellectual Property |
| LXR® | Delayed plant leaf senescence technology. Pronounced 'Elixir'. |
| NPV | Net Present Value |
| Mutagenesis | A process leading to genetic variation through the generation of mutations. It may occur spontaneously in nature, or as a result of induced exposure to mutagens. |
| OHV | Optimal Haploid Value. OHV is a technology developed by AVR through a partnership between Corteva Agriscience™ and AVS to help select optimal parental lines and accelerate plant breeding across many crops. The technology enables prediction of a plant's potential to produce an elite doubled haploid based on genome analysis and represents a significant improvement over genomic selection, with the potential to provide the future basis for accelerated breeding in crops. OHV shortens breeding cycles, provides accurate evaluation of plant performance at the seedling stage and gives plant breeders the ability to evaluate a much larger number of plants without having to grow them in the target environment. |
| PBR | Plant Breeder's Rights. PBRs are exclusive commercial rights for a registered variety of plant. The rights are a form of intellectual property, like patents and trademarks, and are administered under the Plant Breeder's Rights Act 1994. |
| Phytogene | Phytogene Pty Ltd |
| Trait | A characteristic of an organism (such as disease resistance in crops or fertility in cows). |
| VGRMF | Victorian Government Risk Management Framework |

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