Agriculture Victoria Services Pty Ltd

Annual Report 2021–22

Agriculture Victoria Services

Victoria State Government

Jobs, Precincts and Regions

Head Office
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Bundoora VIC 3083
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Directors
Ms SD Andersen – Chair
Dr RTH Aldous
Dr A Caples
Ms JE Perrier
(appointed 1 July 2021)
Mr RA Jagger
(appointed 1 July 2021)
Dr JM Tennent
(appointed 1 August 2021)

Chief Executive Officer
Mr DC Liesegang

Company Secretary
Mr SM Cagney
(appointed 31 January 2022)
Ms H Liu
(1 December 2021 – 30 January 2022)
Mr MA Anderson
(until 30 November 2021)

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

Bankers
Treasury Corporation Victoria
Level 12, 1 Collins Street
Melbourne VIC 3001
Commonwealth Bank of Australia
499 St Kilda Road
Melbourne VIC 3004
Victorian Funds Management
Corporation Unit 13/101 Collins Street
Melbourne VIC 3000

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

ACN 006 598 198
ABN 23 006 598 198

AVS at a glance 30 June 2022

19 Total staff

79 Patented families

31 Countries

12 Total investments

$10.8m Total income

Board Members

4 Women and **2** Men

AVS Staff

12 Women and **7** Men

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 (AVR) branch 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 35 years of service excellence.

The AVS management team consists of 19 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

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

Company value

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 route-to-impact for the research outputs of AVR, for the benefit of Victorian agriculture and related local industries.

Operating principles

AVS aims to set the pace and lead commercialisation of Agriculture Victoria R&I in a manner consistent with AVS Values and Behaviours, Victorian Public-Sector Values, AVS Strategy and Victorian IP Management Principles. The AVS Operating Principles are therefore as follows:

- AVS helps to determine the most appropriate 'route-to-impact' for the R&I 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 route-to-impact is pursued, the primary objective is to maximise the economic benefits of the technology innovation for Victoria. Financial returns from commercialisation are sought commensurate with fair and reasonable value attribution of AVS intellectual property (IP) and AVR intellectual capital (IC).
- AVS seeks to ensure the registration, prosecution, defence and management of AVS IP assets is always in the best economic and societal interests of the State.
- AVS manages commercialisation, R&I collaborations consistent with DJPR objectives, Victorian IP Management Principles and Victorian Public-Sector Values.

- AVS funds are invested in high-value AVR innovations that are: technically feasible; commercially attractive; able to generate significant impact, value and revenues for the State; aligned with Victorian IP management principles and AVS Strategy. AVS also invests funds in Victorian financial institutions to generate funds for new R&I opportunities.

Objectives

To deliver on the Company's purpose, the Board has set the following four (4) key strategy objectives and aligned strategic priorities to achieve them:

1. **Objective: IP Management – Maximise IP asset value and impact.**
   Priority: Expertly protect and manage the intellectual property (IP) and intellectual capital (IC) assets of AVR to maximise their impact for industry and their economic value for Victoria.
2. **Objective: Commercial R&I Collaboration – Leverage and grow collaboration value and impact.**
   Priority: Effectively support commercial R&I collaborations of AVR and help realise greater value and impact from existing and new R&I partners.
3. **Objective: Commercialisation – Enhance IP and IC commercialisation value and impact.**
   Priority: Expertly commercialise the IP and IC assets of AVR to maximise their impact for industry and their economic value for Victoria.
4. **Objective: Investment – Increase AVS investment impact and returns.**
   Priority: Invest company funds to accelerate the translation, reach and commercial impact of AVR innovations and increase commercial revenues from AVS investment.

These four strategy objectives reflect the growing depth, breadth and complexity of the Company's business environment, technology innovations, specialist IP management, commercialisation, collaboration and investment functions.

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).

Chair and CEO 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 2022.

In 2021–22, AVS met its corporate objectives and delivered a net operating result for the consolidated entity of $2.4 million (2021: $2.3 million) in furtherance of the Company's purpose – which is to maximise the commercial impact and value of Agriculture Victoria research and innovation, so that Victorian agriculture and related industries are strong, innovative and sustainable to contribute to better economic and societal outcomes.

The 2021–22 year represented the 1st year of the Company's new three-year strategy, during which period AVS continued to set the pace and lead the commercialisation of the research and innovations of Agriculture Victoria Research (AVR) for the State's economic benefit, and met all of its objectives – specifically by:

- providing expert advice in guiding IP registration, portfolio management and route-to-impact decision-making
- deploying technology commercialisation strategies and agreements in the licensing of novel IP asset rights
- entering research and innovation collaboration agreements with the private sector that package valuable AVS IP assets and AVR intellectual capabilities for the economic benefit of industry and Victoria
- investing company funds in AVR technology innovations for translational and accelerated outcomes

In 2021–22, AVS lodged several new patent, PBR and trademark applications, as well as patent extensions and variations to enhance technical and geographic coverage. Innovations held by AVS are now represented by 79 patent families in 31 countries and reflect the broad range of AVR technologies that arise from its research. These IP assets are enabling enhanced genetic improvement of plant and animal species that are important to Victoria, improved pest and disease management, and the delivery of novel technologies and tools for the discovery, characterisation and deployment of plant and animal microbiomes including in novel bioindustries.

During 2021–22, AVS identified and captured several new technology commercialisation and collaboration opportunities for the world-leading Victorian scientific capabilities and innovations of AVR, to help Victorian farmers achieve enduring profitability and support Victorian job creation.

Several technology commercialisation agreements granting IP rights associated with AVR research outputs were signed this year, including two new technology licence agreements between AVS and Barenbrug Australia Pty Ltd for the benefit of Australian dairy farmers.

One agreement grants IP rights to commercially evaluate and release novel, AVR-created, genomically sub-selected (GSS) perennial ryegrass varieties from the DairyBio 2016-21 joint venture program and is expected to deliver significant benefits to farmers in the form of enhanced pasture performance over current conventional varieties. The other grants IP rights to the novel, AVR-created NEA12 perennial ryegrass fungal endophyte technology which has been inoculated into a range of Barenbrug's elite perennial and hybrid ryegrass germplasm relevant to Australia and New Zealand. The inoculated endophyte forms a symbiotic relationship with the elite ryegrass germplasm, and will help improve plant persistence, insect tolerance and field performance, as well as provide a range of other valuable forage grass agronomic benefits.

An important AVS role is investing Company funds in AVR technologies with the potential to deliver significant benefits for our agriculture industry and the Victorian economy as well as high commercial returns. The success of the AVS investment portfolio has led to higher revenue flows over the past 7 years, with higher cash reserves enabling AVS to further consolidate its investment portfolio in 2021–22. There are currently 12 active AVS investment projects which are enabling pre-commercial proof of concept and commercial advancement of novel AVR technologies, delivery of commercial product innovations to farmers, and the generation of financial returns for new investment opportunities.

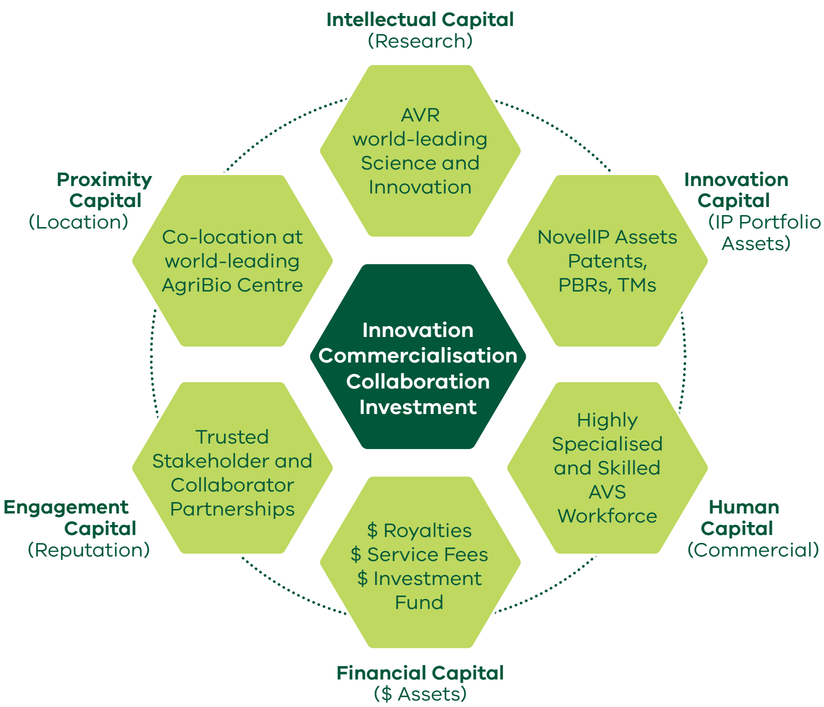
During 2021–22 AVS also advanced a new digital agtech investment project (SmartSense Agtech) planned for commencement in 2022–23 and progressed key investment project preparation activities which included technology development and testing; commercialisation planning and financial modelling; and discussions with potential co-investment partners in the project.

As a self-funded entity relying on service fees and investment income to fund its operations and to ensure its ongoing viability, the company is ideally positioned to deliver on its new strategy while continuing to support AVR and its strategic partners to improve the profitability and security of Australia's strong farming sector, and to help lead the further development of our local agricultural innovation economy.

As we look forward, AVS will successfully commercialise the research and innovation of AVR in alignment with the Victorian Government's decadal Agriculture Strategy for Victoria to help modernise and grow the agriculture sector in Victoria, increase external investment in Victorian agriculture and increase farmer productivity and profitability.

To achieve this, we have identified several areas of strategic focus for AVS which include:

- enhancing commercialisation outcomes from AVS intellectual property (IP) and AVR intellectual capital (IC) by devising innovative and entrepreneurial commercialisation models and deploying suitable commercialisation and collaboration ventures to maximise the value and impact of our IP/IC assets.
- supporting key areas of AVR capabilities and technology innovation to enhance development of Victoria's AgTech innovation economy and help improve the profitability and security of our strong agriculture sector.
- further enhancing AVS' strong commercialisation capabilities and deliver value to our shareholder through AVS' natural advantage in six capital domains (as shown below).



On behalf of the Board and Executive we would like to sincerely thank AVS staff and our partners for their contributions this year, and in particular for their dedication, professionalism and support of each other in adapting to the continued challenges associated with the global COVID-19 pandemic throughout 2021–22.

We would also like to express our appreciation for the commitment and service of the AVS board of directors in ensuring the company is well-placed to continue to maximise the commercial value and impact of Victorian research and innovation, so that Victorian agriculture and related industries are strong, innovative and sustainable and contribute to better economic and societal outcomes globally.

Sam Andersen

Chairperson
Agriculture Victoria Services Pty Ltd

David Liesegang

Chief Executive Officer
Agriculture Victoria Services Pty Ltd

Board of directors

For the year ended 30 June 2022

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

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

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

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

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

Sam is chair of the Australian Packaging Covenant Organisation Limited, Beyond Bank Australia Limited and the Audit and Risk Management Committee of Victoria Police, a director of Breakthrough Victoria Pty Ltd, Secure Electronic Registry Services Pty Ltd, and a trustee of the Melbourne Convention and Exhibition Trust.

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

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

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

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

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

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 and chairman of the CRC for Clean Power from Lignite. Previously he chaired the Earth Resources Ministerial Advisory Council.

Richard was appointed as a Director of Phytogene Pty Ltd in September 2020 and was appointed as Chair on 9th June 2021.

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.

As Deputy Secretary Sector Development and Programs, Amanda was responsible for the development of Future Industries strategic sector growth plans and for support of the Victorian science, innovation and entrepreneurial ecosystem

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

Jane Perrier (Director)
BA, LLB, GCert Bus Admin, GAICD

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

She is the former General Counsel, Intellectual Property of Telstra Corporation Limited with responsibility for strategic legal advice and procedural support for Telstra's intellectual property interests in Australia and overseas. Jane's team was also responsible for advising Telstra's Chief Technology Office on innovation and technology legal issues. Jane is currently a managing principal of ipervescence, an intellectual property business advisory firm specialising in IP strategy and valuation services.

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

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

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

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

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

Jan is also a Non-Executive Director of Apiam Animal Health (ASX:AHX), the eviDent Foundation, and AusBiotech where she serves as the Chair of the Remuneration and Nomination Committee.

Review of financial performance

This section provides a five-year financial summary and review of the 2021–22 financial year for AVS and its subsidiary.

Full financial performance details for the 2021–22 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: Five-year financial summary ($ thousands)

Five-year financial summary	2021–22	2020–21	2019–20	2018–19	2017–18
Total revenue and income from transactions	24,083	25,244	22,699	25,141	28,100
Total expenses from transactions	(21,671)	(22,917)	(21,291)	(21,180)	(21,045)
Net operating result from transactions	**2,412**	**2,327**	**1,408**	**3,961**	**7,055**
Gain/(loss) on balance sheet items	(2,751)	554	(8)	109	(3)
Net result for the period	**(339)**	**2,881**	**1,400**	**4,070**	**7,052**
Net cash flows from operating activities	(3,164)	9,151	(4,114)	7,698	9,988
Total assets	48,508	54,387	43,606	49,680	40,906
Total liabilities	(13,614)	(19,155)	(11,254)	(18,607)	(13,902)
Net assets	**34,894**	**35,233**	**32,352**	**31,073**	**27,003**

Overview

Net operating result from transactions

The 2021–22 net operating result from transactions is $2.4 million (2020–21: $2.3 million) and reflects the value of AVS net royalty revenue of $4.8 million (2020–21: $4 million).

The net operating result also includes AVS investment research expenditure of $0.6 million (2020–21: $0.9 million) for the following AVS research investment projects: OHV Canola, OHV Wheat, SaffBio, CannBio, Endophyte Microbiomes and Medicinal Cannabis Microbiomes.

Net result for the period

The 2021–22 net result reflects a loss of $0.3 million (2020–21: $2.9 million profit). The net result for the period includes an unrealised loss due to the decrease of $2.8m in the value of the VFMC managed funds investment at 30 June 2022.

The VFMC managed fund is a recent long-term investment that is expected to return value to the Company over time despite the short-term unrealised loss incurred during the 2021–22 financial year.

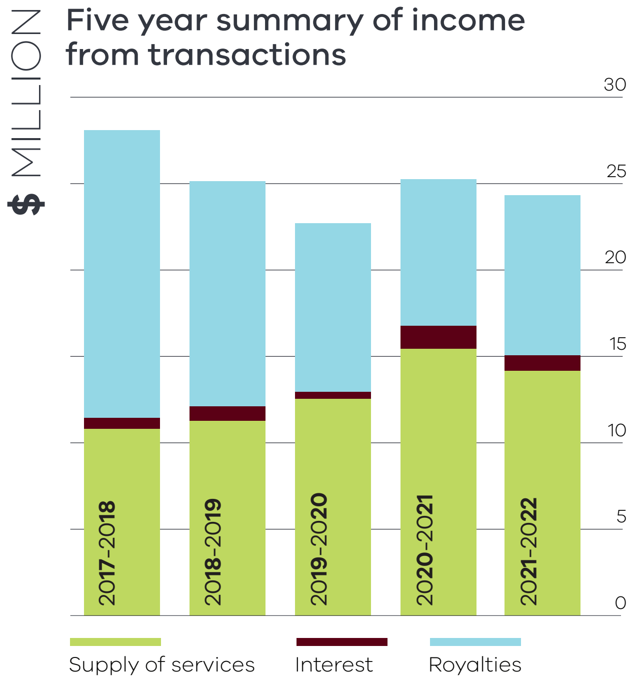
Net assets

AVS net worth at $34.9 million (2020–21: $35.2 million) is at the second highest level in the Company's history and is principally due to the profitability of the Company's investment portfolio.

Revenue and income from transactions

The five-year income summary reflected in the following graph (Figure 1) shows revenue and income from transactions including royalty revenue, other income and supply of services.

Figure 1



Supply of services revenue

Revenue of $12.2 million in 2021–22 was earned by AVS (2020–21: $15.4 million) from: (i) fees received for the provision of IP and commercialisation management services to the Department; (ii) contracted research revenue where AVS acts as an agent on behalf of the Department; and (iii) the recovery of IP registration, maintenance and defence costs.

$2.4M

The 2021–22 net operating result from transactions is $2.4 million (2020–21: $2.3 million). The 2021–22 net result reflects a loss of $0.3 million and includes an unrealised loss on VFMC managed funds (2020–21: $2.9 million profit).

Royalty revenue

Royalties and licence fees are earned from licensees that 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 entitlement payments. Gross royalty revenue received by AVS is distributed according to the agreed equity interests of IP co-funders and developers with AVS retaining its net royalty revenue entitlements.

Gross royalty revenue for 2021–22 was $10.8 million (2020–21: $8.5 million) which was $2.3 million higher than 2020–21.

AVS net royalty revenue for 2021–22 was $4.8 million (2020–21: $4 million) which was $0.8 million higher than 2020–21.

Revenue generated from AVS investment in and commercialisation of barley varieties continues to deliver the majority of the Company's royalty revenue, accounting for $7.4 million (69%) of total royalty revenue in 2021–22 ($10.8 million).

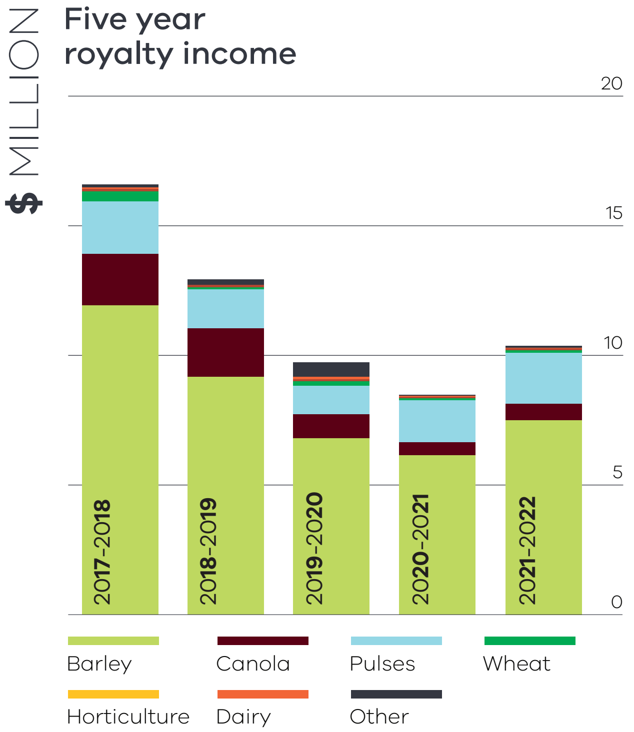
The graph below (Figure 2) presents AVS royalty revenue by plant variety type under licence during the past five years.

$10.8M

Gross royalty revenue for 2021-22 was $10.8 million (2020–21: $8.5 million) which was $2.3 million higher than 2020–21. AVS net royalty revenue for 2021–22 was $4.8 million (2020–21: $4 million) which was $0.8 million higher than 2020–21.

Review of financial performance continued

Figure 2



Other income

Other income (interest received and distributions from VFMC managed funds) was $1.2 million in 2021–22 (2020–21: $1.3 million).

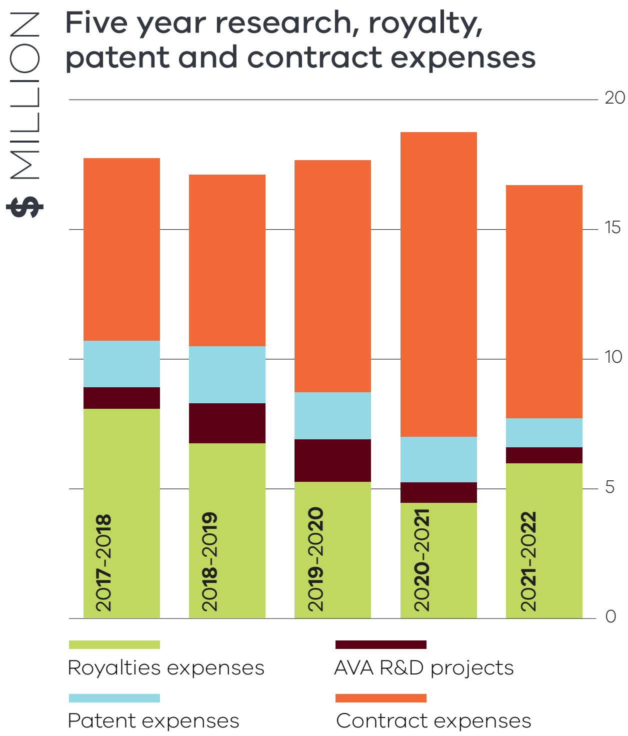
The managed funds distribution remained stable despite the large unrealised loss on the value of the managed funds investment at 30 June 2022.

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).

Research, royalty, patent and contract expenses was $16.7 million in 2021–22 (2020–21: $18.7 million).

Figure 3



Royalty expenses

As noted in Royalty revenue, AVS recognises the equity interest of IP inventors and co-funding organisations when determining royalty entitlements.

Royalty expenses represent the distribution of royalty revenue to other IP equity holders, the major beneficiary being the Department. A total of $6.0 million was distributed in 2021–22 to other IP equity holders (2020–21: $4.4 million).

Review of financial performance continued

AVS investment project expenses

This represents expenditure incurred by AVS through projects in which AVS invests to accelerate the commercial development of research innovations of the Department.

'Research' investment projects are expensed to the operating statement, as distinct from 'Development' investment projects that are capitalised in the Company balance sheet.

In 2021–22 'Research' investment project expenditure amounted to $0.6 million (2020–21: $0.9 million) and included payments for the following AVS investment projects: OHV Canola, OHV Wheat, SaffBio, CannBio, Endophyte Microbiomes and Medicinal Cannabis Microbiomes.

Two AVS investment projects (HT Lentils and HT Barley) reached 'Development' phase in 2021–22 and are capitalised as intangible assets in the balance sheet in the 2021–22 annual financial report (refer note 4.5).

'Research' investment expenditure commitments for subsequent years (from 2022–23) are also detailed in the annual financial report (refer note 6.3).

AVS protects the outcomes of AVR's considerable innovation through Patent, Plant Breeders Rights and Trade Mark filings that represent a patent portfolio comprising 79 patent families in 31 countries.

Patent expenses

Patent expenses include IP registration and protection costs for the IP assets held by AVS. In 2021–22 patent expenses amounted to $1.7 million (2020–21: $1.8 million).

A significant proportion of the IP registration costs incurred are recovered by AVS 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.

By acting as agent for the Department, AVS collects contracted research and development project funds and pays them, on invoice, to AVR in association with AVR's provision of such contracted research services with the private sector.

Contract research and development expenses incurred by AVS as agent for the Department in 2021–22 were $9.0 million (2020–21: $12.4 million).

Group result net of agency transactions

As noted in the previous sections, other organisations (including the Department) often hold an equity interest in IP commercialisation returns received by AVS 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.

As also noted in the previous sections, AVS also acts as an agent for the Department in negotiating and entering commercial research and development project agreements.

The following table (Table 2) shows the underlying net results for 2021–22 attributable to AVS after all royalty, IP and agency distribution transactions (i.e. net of all third-party associated income and expenses).

Review of financial performance continued

Table 2: 2021–22 year in review ($000's)

	2021–22			2020–21		
	Total	**Agency**	**Group**	**Total**	**Agency**	**Group**
Income from transactions						
Income from supply of services	12,158	10,151	2,007	15,443	13,436	2,007
Royalty income	10,761	5,963	4,798	8,474	4,443	4,031
Interest and distribution income	1,164	–	1,164	1,327	–	1,327
Total income from transactions	**24,083**	**16,114**	**7,969**	**25,244**	**17,879**	**7,365**
Expenses from transactions						
Contract research project expenses	8,978	8,978	–	12,523	12,373	150
Royalty expenses	5,963	5,963	–	4,443	4,443	–
Patent expenses	1,734	1,123	611	1,764	971	790
Employee expenses	2,673	–	2,673	2,471	–	2,471
Depreciation and amortisation	255	–	255	275	–	275
Interest expenses	37	–	37	55	–	55
Operating expenses	2,031	50	1,981	1,386	92	1,294
Total expenses from transactions	**21,671**	**16,114**	**5,557**	**22,917**	**17,879**	**5,038**
Net operating result from transactions	**2,412**	**–**	**2,412**	**2,327**	**–**	**2,327**
Other economic flows	(2,751)	–	(2,751)	554	–	554
Comprehensive result	**(339)**	**–**	**(339)**	**2,881**	**–**	**2,881**

Review of operational performance

Strategic objectives

This section summarises key operational achievements for the 2021–22 financial year in alignment with the Company's four *Strategic Objectives of its 3-Year AVS Corporate Strategy* (to 30 June 2024):

1. **Objective: IP Management**
   Maximise IP asset value and impact.
   Expertly protect and manage the intellectual property (IP) and intellectual capital (IC) assets of AVR to maximise their impact for industry and their economic value for Victoria – by providing specialist IP and IC route-to-impact strategy advice, management, and technology transfer services.

2. **Objective: Commercial R&I Collaboration**
   Leverage and grow collaboration value and impact.
   Effectively support commercial R&I collaborations of AVR and help realise greater value and impact from existing and new R&I partners – by providing an effective legal entity through which commercial R&I collaborations of AVR are expertly assessed, negotiated, entered into and supported.

3. **Objective: Technology Commercialisation**
   Enhance IP and IC commercialisation value and impact.
   Expertly commercialise the IP and IC assets of AVR to maximise their impact for industry and their economic value for Victoria – including by deploying novel, scalable, translational route-to-impact approaches such as early-stage, agile, entrepreneurial Victorian research and innovation ventures.

4. **Objective: Commercial R&I Investment**
   Increase AVS investment impact and returns.
   Invest company funds to accelerate the translation, reach and commercial impact of AVR innovations and increase commercial revenues from AVS investment – by investing in high-value AVR technologies for generating significant commercialisation impact and by maximising AVS investment portfolio returns.

Intellectual property management

AVS contributed to maximising the impact of the agricultural technologies and research capabilities of AVR by undertaking key IP strategy formulation and IP management services, including:

- IP protection and portfolio management for maximising industry benefits from agricultural innovations
- technology assessment and valuation for guiding IP strategy and commercialisation decision-making.

AVS intellectual property portfolio

Strategic Objective 1. Maximise IP asset value and impact.

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

AVS protects the outcomes of AVR's considerable innovation through Patent, Plant Breeders Rights and Trade Mark filings that represent a patent portfolio comprising 79 patent families in 31 countries, including subject matter related to:

- Genetic improvement of plant and animal species important to Victoria including genomic technologies and enabling technologies for accelerated precision breeding of crops and livestock
- Pest and disease management including fungal and bacterial endophytes and bioactive compounds
- Novel molecular technologies for the discovery and analysis of beneficial microbes that can increase productivity and health of plants and animals including novel bacterial strains with bioprotection, biostimulation and biofertiliser properties
- Digital AgTech innovations for effective crop and pasture measurement and management including sensor technologies and software for improved efficiencies on farm and across the supply chain.

Review of operational performance continued

AVS holds a significant Plant Breeder's Rights (PBR) IP portfolio in Australia for plant varieties bred by AVR. These PBR registrations relate to novel varieties of canola, wheat, barley, field peas, lentils, chickpeas, fungal endophytes, pears, peaches, potatoes and medicinal cannabis.

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

Complementary innovation domain names continue to be registered to support and enable AVS IP assets and the associated core research portfolios of AVR.

Table 3 and Figure 4, respectively, summarise and depict the AVS IP portfolio held at 30 June 2022.

Table 3: AVS intellectual property portfolio from 2018 until 30 June 2022

AVS IP Portfolio components	2022	2021	2020	2019	2018
Patented inventions (Patent families)	**79**	**81**	82	83	69
Plant Breeder's Rights	**62**	**58**	61	59	58
Trademarks (Trademark families)	**45**	**39**	19	13	13
Domain names	**43**	**13**	5	5	3

Figure 4: Geographic representation of AVS intellectual property portfolio

Review of operational performance continued

Intellectual property registration achievements in 2021–22

Industry impact

GRAINS

DAIRY

HORTICULTURE

EMERGING INDUSTRIES

Patents

AVS lodged several new provisional patent applications relating to research outputs of AVR as well as improvements to existing patent applications. These applications are directed to:

- Research innovations in relation to medicinal cannabis plant biology including methods directed to: precision breeding of cannabis plants to optimise cannabinoid expression; chemotyping of medicinal cannabis plants; and selection of cannabis plants based on predictive phenotyping
- A digital agriculture technology innovation for a LiDAR based (CropBioMass) sensor for high-throughput plant phenotyping, crop monitoring and management for precision agricultural applications
- New fungal endophytes developed by AVR where such endophytes are capable of conferring a plant growth promotion phenotype to plants in which they are inoculated
- Plant microbiome profiling methods that may be used to provide taxonomic information about microbial populations.

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

AVS patents that proceeded to grant included Australian standard patents and patents in countries other than Australia. These granted patents strengthen AVS-held intellectual property rights and support the commercialisation activities of AVS, both in Australia and other countries, in maximising innovation impact for industry and economic value for Victoria.

AVS Australian standard patents that proceeded to grant included:

- "*Novel endophytes* (3)" (AU 2019200890) directed to novel fungal endophytes, to plants infected with these endophytes and to related methods (including methods of selecting, breeding and/or characterising fungal endophytes)
- "*Method and device for storing agricultural products*" (AU 2016345055) directed to an agricultural stockpile cover (particularly for almond stockpiles) which uses a breathable polytetrafluoroethylene layer to inhibit microbial spoilage
- "*Brachiaria endophytes and related methods*" (AU2016327450) directed to methods of selecting novel endophytes from Brachiaria-Urochloa species complex that confer a biological nitrification trait and to plants infected with these endophytes.

AVS patents outside of Australia that proceeded to grant included:

- "*Manipulation of self-incompatibility in plants*" (ZA 2015/06151 and US 11,224,181) granted in South Africa and the United States that capture novel methods for controlling hybridisation in plants and producing hybrid plants in members of the Poaceae family, including pasture grasses
- "*Method of producing a normalised nucleic acid library using solid state capture material*" (US 11,021,702) granted in the United States for the preparation of screening libraries using solid state capture methods to capture current genotyping technologies and sequences
- "*Angiogenin expression in plants*" (BR1120120125630) granted in Brazil for a method of expressing the milk protein angiogenin (RNAse5) in plants, the meal from which may be used as enhanced animal feed

Review of operational performance continued

- "*Brachiaria endophytes and related methods*" (US 11,191,249) granted in the United States directed to methods of selecting fungal endophytes of Brachiaria-Urochloa plants that produce a nitrification inhibitor, brachialactone, with potential plant biofertiliser applications
- "*Plant technology*" (AR073593B1) granted in Argentina related to using genetic constructs in transgenic plant cells to manipulate fructan biosynthesis and enhance plant biomass
- "*Use of angiogenin or angiogenin agonists for treating diseases or disorders*" (BR 0911960-4) granted in Brazil for the use of angiogenin for promoting muscle growth, improving recovery of muscle from use or injury, improving muscle strength or improving exercise tolerance in a healthy individual animals
- "*Metabolite production in endophytes*" (US 11,267,850) granted in the United States directed to constructs encoding enzymes responsible for the synthesis of janthitrem alkaloids.

Plant Breeders Rights

AVS filed and obtained acceptances of three (3) PBR's in Australia for plant varieties bred by AVR, including:

- One novel fungal endophyte: NEA12 (*Epichloe sp.* [LpTG-3 (*Lolium perenne* Taxonomic Group 3)])
- Two novel potato (*Solanum tuberosum*) varieties: Purple Potato 09-24-04E and White Potato 08-42-12E.

Trade Marks

AVS filed trademark applications which relate to:

- Medicinal cannabis plant variety innovations and related genetic products
- Pear variety innovations
- Digital agriculture technology innovations and educational hubs (such as novel digital sensor technologies, devices and data analytics innovations).

AVS trademarks that were accepted or registered related to:

- Digital agriculture technology innovations
- Plant genetics and accelerated-precision plant breeding technology innovations for grain crops, including wheat, barley, canola, pulses, and safflower
- New safflower technologies arising from the AVS SaffBio investment project
- Pear variety innovations
- Medicinal cannabis plant variety innovations and related genetic products.

Trademarks managed by AVS on behalf of AVR that were accepted or registered related to:

- AVR educational programs to inform school students about the importance of agricultural research outcomes.

Technology commercialisation

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

The following relate to AVS activities and outcomes in commercialising the IP and IC assets of AVR to maximise their impact for industry and their economic value for Victoria, including by both licensing IP rights associated with AVR research outputs, as well as by deploying novel, scalable, translational route-to-impact approaches such as early-stage, agile, entrepreneurial Victorian research and innovation ventures.

Improved perennial ryegrass varieties for the Australian dairy industry

A licence agreement was signed between AVS and Barenbrug Australia Pty Ltd, that grants rights to commercially evaluate and release novel, AVR-created, genomically sub-selected (GSS) perennial ryegrass varieties from the DairyBio 2016-21 joint venture program, for the benefit of Australian dairy farmers.

Review of operational performance continued

The GSS perennial ryegrass lines are currently undergoing endophyte inoculation and seed multiplication to enable Barenbrug to evaluate their field performance through multiple-environment replicated field trials. Commercial seed production will occur during the evaluation phase to expedite time to market.

The improved GSS ryegrass varieties are expected to deliver benefits to farmers in the form of enhanced pasture performance over current conventional varieties, by targeting improved seasonal growth patterns offering greater pasture utilisation advantages to farmers (subject to growth in suitable temperate regions and suitable pasture management).

New perennial ryegrass fungal endophyte for the Australian dairy industry

A technology licence agreement between AVS and Barenbrug Australia Pty Ltd was signed that grants Barenbrug rights to commercialise the fungal endophyte technology known as NEA12 in perennial ryegrass, for the benefit of Australian dairy farmers.

The NEA12 endophyte technology has been inoculated into a range of background Barenbrug elite perennial and hybrid ryegrass germplasm, relevant to Australia and New Zealand. The inoculated endophyte forms a symbiotic relationship with the elite ryegrass germplasm, helping improve plant persistence, insect tolerance and field performance, as well as providing a range of other valuable agronomic benefits.

Novel Russian Wheat Aphid resistant wheat genetics for the Australian wheat Industry

AVS entered into an agreement that grants licence rights to the Australian grains breeding entity, InterGrain Pty Ltd, to commence breeding and field evaluation of novel wheat lines developed by AVR with resistance to Russian Wheat Aphid, for the benefit of Australian wheat producers.

Supporting improved genetic gain and breeding efficiencies for the Australian grains Industry

A sponsored research and technical service agreement was signed between AVS and the Australian grains breeding entity, InterGrain Pty Ltd, for deployment and implementation of AVR-created genomic selection technology into its commercial cereal breeding program, for the benefit of Australian grain growers.

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

AVS entered into two agreements with Nutrien Ag Solutions trading as Seednet granting exclusive rights to commercially evaluate and commence seed multiplication of a pipeline of elite new lentil and field pea varieties, developed by AVR with support from the Grains Research and Development Corporation (GRDC) under the National Lentil and Field Pea Breeding Programs, for the benefit of Australian pulse growers.

The agreements followed an open commercialisation expression of interest process led by AVS in consultation with AVR and the GRDC.

Improved acid-tolerant barley variety for the Australian barley industry

A plant variety licence agreement between AVS and InterGrain Pty Ltd was signed granting exclusive rights to a niche barley variety, Buff Barley, that was bred by AVR. Buff Barley is a white aleurone, acid tolerant variety suited to acid soils and high aluminium environments.

Supporting continued crop genetic outcomes and impact for Australian grains industries

AVS entered into two licence agreements extending the breeding rights to parental genetics developed by AVR for the continued development and commercialisation of novel canola and wheat varieties by:

- BASF Agricultural Solutions Seed US LLC, for the continued commercial exploitation of parental canola material (developed under the former AVR-GRDC National Brassica Germplasm Improvement Program) as novel canola varieties for the benefit of Australian grain growers

Review of operational performance continued

- Longreach Plant Breeders Pty Ltd, for the continued commercial exploitation of AVR-developed parental wheat material as novel wheat varieties, for the benefit of the Australian wheat industry.

AVS entered into a renewed licence agreement for the AVR-developed Sen-Tree® browsing deterrent technology successfully commercialised by AVS in collaboration with Sure Gro Tree Max Australia Pty Ltd to enable continued commercial access for use in forestry, plantations, revegetation, farming and land management industries for prevention of browsing animals.

AVS entered into several renewed licence agreements for plant varieties successfully commercialised by AVS that will enable Australian growers continued access to the following AVR-bred plant varieties:

- PBA Hurricane, a herbicide tolerant lentil variety licensed to PB Seeds Pty Ltd.
- Lusa, a Persian clover variety licensed to TasGlobal Seeds Pty Ltd Pty Ltd.
- Teardrop, a fresh potato variety licensed to Wombat Forest Organics Ltd.
- Nugget, a lentil variety licensed to SeedMark (a subsidiary of Barenbrug Australia Pty Ltd).
- PBA Jumbo2, PBA Greenfield and PBA Giant, lentil varieties licensed to PB Seeds Pty Ltd.

'Ricó®' blush pear launched in Australian supermarkets

A new AVR-bred pear variety, Ricó®, is now being successfully commercialised by AVS through its master licensee, APAL (Australian Apple and Pear Limited).

Ricó® branded pears were made widely available to pome fruit consumers in 2021–22 across major retail stores in Victoria and New South Wales.

A cross made by AVR between Corella and Doyenné du Comice, Ricó® has a deep green colour and attractive blush, along with a sweet flesh that can be eaten firm or left to ripen and soften for a soft, buttery texture – traits underpinning the positioning of the Ricó® brand in the market to entice consumers to try and fall in love with this exciting new pear variety being produced by Victorian pear growers.

Commercial research and collaboration

Strategic Objective 2. Leverage and grow commercial research and innovation (R&I) collaboration value and impact

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

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

Commercial research agreement management

AVS signed fifty-five (55) technical service agreements with the private sector on behalf of AVR in the following areas:

- Genomic prediction services for Australian and overseas grains breeding companies and research organisations, including genomic prediction for commercial crop breeding programs and the testing of proprietary germplasm and elite lines for quality traits
- Evaluation of biological agricultural products on seedling germination and response to transplant shock of horticulture species
- Analysis of a range of diets on methane emissions and feed digestibility in dairy cattle
- Phenotypic and molecular data analysis on soil, rhizosphere, and root bacterial communities
- Forage grass endophyte diagnostics including strain viability and alkaloid testing
- Crop health surveys
- Characterisation of milk and milk powder products

Review of operational performance continued

- Disease screening of broadacre crops
- Fungicide resistance screening of crops
- Crop hygiene services for Australian and New Zealand horticultural organisations
- Screening trial of crop chemical efficacy.

AVS entered into several confidentiality agreements for the purpose of exploring potential collaborations and the provision of technical services in the areas of:

- Animal health
- Animal nutrition
- Medicinal agriculture
- Clean energy
- Digital agriculture
- Biosecurity and bioprotection.

AVS signed fifty-five (55) technical service agreements with the private sector on behalf of AVR.

Collaborative research guidance and support

AVS' specialist expertise in legal, commercial and IP matters was deployed to review several project and collaboration agreements entered into by AVR.

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

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

AVS Investment in Research and Innovation

Strategic Objective 4. Increase AVS investment impact and returns.

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. Through AVS investment the Company seeks to accelerate the translation of AVR research outputs into innovative technologies, products and services and to enhance their market adoption, value and impact via the private sector. In 2021–22 AVS continued to identify, assess and manage AVS investment opportunities, proposals and projects that:

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

AVS investment project portfolio

The AVS Corporate Strategy continues to reflect the importance of the Company's investment function in enhancing industry adoption and impact of the research capability and technology inventions of AVR.

AVS investment aims to translate novel AVR inventions into valuable and impactful innovations and to expedite their transition from research invention to commercially-assessed technology to commercially-ready products. The 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.

AVS investment projects reflect a continued shift toward the development of platform technologies that enable accelerated rates of genetic gain in strategic crops of importance to Victoria and present significant global commercialisation opportunities.

Review of operational performance continued

In 2021–22 the AVS investment portfolio performed in line with its annual investment performance measures established by the board, with several project products in the market continuing to deliver positive impact for Australian agricultural industries and positive financial returns to AVS for the financial year. Key performance indicators for the AVS investment project portfolio for 2021–22 are summarised in the table below (Table 4).

Table 4: Summary of AVS investment project portfolio performance (2021–22)

AVS Investment Project Stage	AVS Investment Project Portfolio Performance (2021–22)
Investment Translation Commercialised Products	Four of the twelve AVS investment projects have resulted in the translation of pre-commercial AVR genetics research outputs into a number of elite, new commercial grain cultivars – following extensive field assessment and successful commercial release as improved varieties, namely: • HT Barley • HT Lentils • Primary Oilseeds • HOLL Canola The novel, commercial barley, lentil and canola varieties that have been released from these four AVS investment projects continue to deliver significant benefits to Australian grain growers and generate positive financial returns to AVS. In 2021–22 one new barley variety product was commercialised, Commodus CL, a new herbicide-tolerant barley variety derived from the AVS HT Barley Project and commercially-released by AVS' current HT barley licensee, InterGrain.
Investment Acceleration Pre-Commercialised Products	Eight of the twelve AVS investment projects are on track for 1st product releases, namely: • Phytogene • OHV Blackleg Resistant Canola • OHV Russian Wheat Aphid Resistant Wheat • Genome Edited Forages and Wheat • Novel Safflower Transformation (SaffBio®) • Novel Medicinal Cannabis (CannBio®) • Medicinal Cannabis Microbiome • Endophyte Microbiome Library These eight investment projects reflect a continued shift toward the development of novel, AVR-created platform technologies that enable accelerated rates of genetic gain in strategic crops of importance to Victoria and present significant global commercialisation opportunities. These projects aim to accelerate the transition from research invention to commercial impact noting they require longer investment periods for delivery and have a higher average project investment cost.
Increase in value of investment portfolio (NPV future cashflows)	The NPV of future cash flows from AVS investment projects for 2021–22 is $56.5 million compared with 2020–21 of $53.0 million, representing an upward variance of $3.6 million or 6.7%. The increase reflects the progress of AVS investment projects during 2021–22 and an increased certainty (lower discount rate) of the Phytogene investment generating future returns.

NPV of future cash flows from AVS investment projects for 2021-22 is $56.5 million compared with 2020–21 of $53.0 million, representing an upward variance of $3.6 million or 6.7%.

Review of operational performance continued

AVS Investment Project Status and Performance

As at 30 June 2022: (i) AVS had twelve (12) active investment projects under management and one (1) investment project approved in 2021–22 which is planned for commencement in 2022–23; and (ii) AVS had four (4) AVS investment projects at investment translation stage and eight (8) AVS investments at investment acceleration stage.

Refer below for status and performance summaries of the twelve (12) active AVS investment projects and one (1) AVS investment project approved by the AVS Investment Committee in 2021–22 and planned for commencement in 2022–23.

AVS Translation Investments (Commercialised products)

The four (4) AVS investment translation projects are: Primary Oilseeds, HOLL Canola, HT Lentils and HT Barley.

Primary Oilseeds

Primary Oilseeds is an oilseed variety development and commercialisation project that has delivered elite *Brassica napus* canola germplasm and varieties via three genetic trait pipelines: conventional canola varieties, triazine-herbicide-tolerant canola varieties, and imidazolinone-herbicide-tolerant canola parental lines. The project has been highly successful in helping enable the growth of a viable commercial canola breeding capacity in the private sector and through its generation of financial returns to help sustain the AVS investment fund.

The project is nearing its end of life with the final canola varieties in commercial decline (ATR Bonito and ATR Wahoo), noting the production and delivery of commercial seed of these canola varieties is still continuing through Nuseed®. The table below shows key financial performance information for the Primary Oilseeds investment project for 2021–22:

Gross Royalties (2021–22)	Net Royalties (2021–22)	Remaining Life (Expected)
$431,661	$234,824	1 year

HOLL Canola

The 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. AVS co-investment with Cargill Inc. has enabled the development of improved conventional and new herbicide-tolerant HOLL canola hybrids, primarily for Australian and North American production areas. This has resulted in the release of several new commercial HOLL 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.

Commercially-released HOLL canola products to date include: V7001CL, V7002CL, *V75-03CL* and V5003RR. The table below shows key financial performance information for the HOLL Canola investment project for 2021–22:

Gross Royalties (2021–22)	Net Royalties (2021–22)	Remaining Life (Expected)
$31,750	$28,575	3 years

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 R&I project with AVR for the development of HT barley. Local seed partner, Seednet, was first licensed to release the 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 enables the use of Intervix® herbicide on Clearfield® barley pursuant to BASF stewardship and herbicide application protocols.

Review of operational performance continued

A subsequent development and licence agreement was signed between AVS and InterGrain Pty Ltd which granted rights to breed with and commercialise AVS' patented HT barley trait in Australia, resulting in the commercial release of the HT barley variety, Spartacus CL, followed by Maximus CL both of which have achieved malt accreditation in Australia.

In 2021–22, InterGrain commercially released a new HT Barley product for sowing in 2022, Commodus CL. The table below shows key financial performance information for the HT Barley investment project for 2021–22:

Gross Royalties (2021–22)	**Net Royalties** (2021–22)	**Remaining Life (Expected)**
$5,308,456	$3,761,554	7 years

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 Australian lentil growers. Group B herbicides are used to control broadleaf weeds in pulses. The project has demonstrated proof of concept application in several lentil varieties with tolerance to the Group B herbicide, imidazolinone.

HT lentil varieties were then 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 Herald XT, was launched by PB Seeds in 2011. Subsequent AVS HT lentil varieties released through PB Seeds include PBA Hurricane XT; PBA Hallmark XT and PBA Highland XT.

In 2021–22, Seednet commercially-released a new HT lentil variety, PBA Kelpie XT, which is a large red lentil with imidazolinone herbicide tolerance. The table below shows key financial performance information for the HT Lentils investment project for 2021–22:

Gross Royalties (2021–22)	**Net Royalties** (2021–22)	**Remaining Life (Expected)**
$950,543	$111,970	3 years

AVS Acceleration Investments (Pre-commercialised products)

The eight (8) AVS investment acceleration projects are: OHV Canola, OHV Wheat, Genome-edited Forages and Wheat, SaffBio, CannBio, Cannabis MicroBiome, Endophyte MicroBiome Library and Phytogene.

All but one of the eight AVS acceleration investments are in their Research phase (in accordance with Australian Accounting Standards) while one such AVS investment transitioned from the Research phase to the Development phase during 2021–22.

OHV Blackleg-Resistant 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 and 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 this AVS acceleration investment project aims to enhance prediction of blackleg disease resistance, shorten the breeding process and accelerate delivery of elite new canola germplasm and varieties to grain growers.

AVS is engaging with Australian-based commercial canola breeders to evaluate the technology and establish route-to-impact partnerships. The project's canola breeding tools and germplasm for conferring canola varieties resistance to blackleg disease are currently being sought to be made available under evaluation and commercial licence by AVS to Australian canola breeders.

This project is in the Research phase (in accordance with Australian Accounting Standards).

Review of operational performance continued

OHV Russian-Wheat-Aphid Resistant Wheat

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

This AVS research investment project aims to demonstrate the application of OHV selection methods developed by AVR and obtain new knowledge 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.

AVS is engaging with Australian-based commercial wheat breeders to evaluate the technology and establish route-to-impact partnerships.

The project's wheat breeding tools and germplasm for conferring wheat varieties resistance to Russian Wheat Aphid are currently being sought to be made available under evaluation and commercial licence by AVS to Australian wheat breeders.

This project is in the Research phase (in accordance with Australian Accounting Standards).

Phytogene Pty Ltd (AVS investment in subsidiary)

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

Phytogene's purpose is to commercialise a proprietary and patented delayed plant leaf senescence technology, with the 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 trait which has the capacity to enhance crop yields. The technology is termed Biomass Enhancement Technology or BET and has been developed by Agriculture Victoria Research (AVR) in collaboration with the former Molecular Plant Breeding Cooperative Research Centre (MPB-CRC).

AVS equity investment and early-stage licence revenues have funded Phytogene's ongoing operations. Results from both greenhouse and field trials to date have provided proof of concept for LXR® in the dicotyledonous species alfalfa, canola and white clover. Proof of concept in a monocotyledonous species has been demonstrated in wheat through extensive field trials of the LXR® and BET trait technologies conducted in 2014 and 2016, the results of which showed yield gains between 10 and 30 per cent in irrigated conditions and up to 60 per cent under drought (rain-fed) conditions.

The development of LXR®-alfalfa for the South American market remains Phytogene's most advanced commercial opportunity for the technology and is currently being pursued under a commercial licence agreement with the Instituto de *Agrobiotecnologia de Rosario* in Argentina (INDEAR). Phytogene has granted INDEAR rights to develop and commercialise alfalfa products comprising three AVS' trait technologies: LXR® (for yield enhancement), AMV (for alfalfa mosaic virus resistance) and OA (for aluminium tolerance in acidic soils).

In 2020–21, INDEAR successfully advanced the transformation and development of a triple-trait stacked LXR® alfalfa product incorporating the three genes of interest: LXR®, AMV and OA. These trait-stacked LXR® alfalfa transgenic events have been screened under glasshouse conditions and are being considered by INDEAR for trait efficacy field trials in Argentina during calendar year 2022, with a view to seeking regulatory approval and thereafter first commercial sales in Argentina, Uruguay and Brazil by 2025. LXR®-AMV-OA triple trait alfalfa varieties will likely offer a strong value proposition in South America, particularly in southern Brazil where the presence of acidic soils, which leads to aluminium toxicity in plants, is a likely barrier to alfalfa cultivation for livestock production.

INDEAR is also a Phytogene collaborator for the evaluation of LXR-wheat products in South America. In November 2021, INDEAR advised efficacy field trials of several transgenic LXR® wheat events conducted in Argentina showed encouraging results. Data from the trials informed INDEAR in its selection of a suitable LXR® wheat event for further trait efficacy field trials conducted in Argentina during the 2021-22 season.

Review of operational performance continued

In 2021–22, the Faculty of Agronomy of the University of Buenos Aires in Argentina (FAUBA) further advanced field and animal performance trials of high-energy BET ryegrass events introgressed into commercially relevant ryegrass varieties. The trials are assessing the effect of BET in perennial ryegrass under a dairy grazing regime with sheep and cattle and may inform an application for regulatory approval for future commercial release in Argentina, and potentially in Australia should future GM legislation in the jurisdiction and market acceptance permit.

During 2021–22, Phytogene transitioned from a research phase to a development phase pursuant to Australian Accounting Standards due to its licensee making good technical progress with both LXR® Alfalfa and LXR® Wheat events. Phytogene continues to maintain a low-cost structure while it builds value in its LXR® and BET technologies and seeks additional commercial opportunities, particularly in crops of strategic importance to Victoria wherever possible. The company was able to fund its operating loss of $17,505 in 2021–22 from internal cash resources and has more than sufficient cash resources to sustain its operations until Phytogene receives royalties from the first commercial sales of LXR-Alfalfa which are expected to commence in 2025.

Genome-Edited Forages and Wheat

This AVS research investment project aims to develop new genome-edited forage product innovations for the Australian dairy industry, and to develop and validate platform technology applications in wheat to enable precision genome editing technology to be directly deployed in elite wheat germplasm.

The resulting breeding tools will enable plant breeding companies to develop new forage and wheat varieties with genome-editing-enabled traits in a targeted and accelerated manner. When combined with other novel breeding methods, like uniparental genome elimination, inter-genomic recombination and doubled haploid production, it provides the ability to generate fixed lines with the targeted trait in a single breeding cycle.

The project has enabled technical development of the first gene-edited perennial ryegrass events, as well as enabled technical development of genome-edited haploid inducer wheat lines which can produce haploid offspring.

AVS is currently seeking to enter into non-exclusive licensing arrangements targeting Australian forage grass and wheat breeders as Australian and global route-to-impact partners.

This project is in the Research phase (in accordance with Australian Accounting Standards).

Novel Safflower Platform (SaffBio®)

AVS investment in an AVR genetic innovation platform is supporting the creation of novel technologies for accelerated precision breeding in safflower, to enable the generation of safflower events producing high-value biomolecules with industrial and agricultural applications.

AVS aims to support the establishment of a bio-based oils industry for Victoria and the replacement of fossil fuels in products such as lubricants and plastics. 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 advantageous biological compounds in the seed for commercial applications as a novel feedstock.

The AVS research investment project has the potential to create and leverage significant value from safflower globally. The project has to date developed: (i) tools and methods to enable non-GM safflower plants via gene editing and has to date developed world first genomic breeding values to select safflower breeding lines; and (ii) a platform for applying accelerated precision breeding of new safflower varieties for commercial production.

This project is in the Research phase (in accordance with Australian Accounting Standards).

Review of operational performance continued

Novel Medicinal Cannabis Genetics (CannBio®)

This AVS research investment project aims to obtain new knowledge, to assist the development and commercialisation of novel, AVR-bred medicinal cannabis strains for a range of medicinal products and applications, in alignment with the Victorian Government's medicinal cannabis industry plan (Developing a medicinal cannabis industry in Victoria 2018–2021).

This project is helping create, evaluate, license and deliver important novel medicinal cannabis technologies to support the development of a globally competitive new bioindustry in Victoria delivering healthcare outcomes.

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

AVS investment to date has also led to the development of a significant catalogue of diverse, novel, proprietary CannBio® medicinal cannabis strains that are currently being sought to be licensed to suitably authorised and licensed companies to evaluate, grow and produce medicinal cannabis products for domestic and export markets.

This project is in the Research phase (in accordance with Australian Accounting Standards).

Endophyte Microbiome Library

This AVS research investment project aims to identify, establish and evaluate a collection of endophytic microbes isolated from wild plants related to modern crops (from an endophyte collection of Australian native plants) with potential bioprotection, biofertiliser and biostimulant applications for potential use in several crops to improve plant performance, and for a potential broad range of agronomic benefits to farmers.

The targeted novel microbiomes have the potential to increase crop productivity by either reducing costs of controlling pathogens, or by increasing yield and profitability. The project will thus facilitate growth of the agriculture sector for its long-term sustainability, to reduce both the environmental and the financial impact of chemical fertilisers and pesticides.

In 2021–22 AVS advanced commercial licence exploration with globally positioned biologicals-based businesses with the targeted novel microbiomes showing potential for application in both broadacre and high-value crops.

This project is in the Research phase (in accordance with Australian Accounting Standards).

Review of operational performance continued

Medicinal Cannabis Microbiomes

This AVS research investment project aims to discover, characterise and evaluate novel medicinal cannabis microbes that may provide a broad range of agronomical benefits to authorised medicinal cannabis cultivating 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 the bioactive microbes.

The intended novel microbes will have the potential to increase productivity for the medicinal cannabis industry by increasing yields or by reducing the cost of controlling pathogens without the use of agrichemicals.

In 2021–22 AVS advanced commercial licence exploration with globally positioned biologicals-based businesses with the targeted beneficial microbial products for medicinal cannabis cultivation showing potential for application as biocontrol options (to avoid the use of chemicals that are not permitted in medicinal cannabis production).

This project is in the Research phase (in accordance with Australian Accounting Standards).

Planned investment translation project

SmartSense Agtech

During 2021–22 AVS advanced a new digital AgTech investment translation project (SmartSense Agtech) which is planned for commencement in 2022–23. During 2021–22 AVS progressed key investment project preparation activities which included technology development and testing; product commercialisation planning and financial modelling; and discussions with potential future co-investment partners in the project.

Corporate governance and organisation structure

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

Company incorporation status

AVS is a private company incorporated under the provisions of the *Corporations Act 2001* (Cth). The Victorian Government beneficially owns 100 percent 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 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, Hon Gayle Tierney MP, or her delegate, shall, from time to time, direct.

Responsibilities and composition of the board of directors

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

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

The current board members are as follows:

Director	Appointment Term
Ms Sam Andersen (Chair)	1 November 2019 to 30 June 2024
Dr Richard Aldous	1 November 2019 to 30 June 2024
Dr Amanda Caples	1 November 2019 to 31 October 2023
Ms Jane Perrier	1 July 2021 to 31 October 2024
Mr Richard Jagger	1 July 2021 to 31 October 2024
Dr Jan Tennent	1 August 2021 to 31 October 2023

Board committees 2022

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 approved by the board and include oversight and advice on matters of accountability, compliance, performance and risk management. Members of the ARMC during 2020–21 were:

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

The committee met five times during 2021–22.

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

Corporate governance and organisation structure continued

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.

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 2021–22.

Investment Committee

The Investment Committee is constituted under the AVS investment policy and procedure approved by the AVS Board. It is responsible for assisting and advising the AVS Board on matters relating to the investment of AVS funds and their periodic review and valuation. All directors are members of the Investment Committee, which met six times during 2021–22.

Policies and procedures

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

Risk management

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

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 align with the Standing Directions on a voluntary basis. The following attestation is made in the context of this voluntary compliance.

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

Mr David Liesegang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd
26 August 2022

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 guide 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 RSD Audit 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 take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure and has policies and procedures in place to provide guidance in these circumstances. They will also afford natural justice to any person who is the subject of such a disclosure.

Legislative framework continued

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 Disclosures Policy and Procedures are available on the AVS website at www.agvicservices.com.au

Disclosures under the Public Interest Disclosures Act 2012

Disclosures	2021–22 number	2020–21 number
Number of disclosures made by an individual to IBAC – Assessable disclosures	Nil	Nil

Directors' report

The directors of Agriculture Victoria Services Pty Ltd (AVS) present their report together with the consolidated annual financial report of AVS and its subsidiary, Phytogene Pty Ltd, for the year ended 30 June 2022 and the independent auditor's report thereon.

Directors

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

- Ms Sam Andersen
- Dr Richard Aldous
- Dr Amanda Caples
- Mr Richard Jagger
- Ms Jane Perrier
- Dr Jan Tennent (appointed 1 August 2021)

All directors have been in office since the start of the financial year to the date of this report, except where noted above. Details of the directors during the financial year (including qualifications, experience and membership of board sub-committees) are set out from page 8.

Company Secretary

The Company Secretary is Mr Shane Cagney from 30 January 2022. Mr Martin Anderson served as Company Secretary from 1 July to 1 November 2021, and Ms Helen Liu served as Interim Company Secretary between 1 November 2021 and 30 January 2022.

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 and 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
SD Andersen	6	6	5	5	6	6	1	1
RTH Aldous	6	6	–	–	6	6	1	1
A Caples	6	6	–	–	6	6	1	1
RA Jagger	6	6	5	5	6	6	1	1
JE Perrier	6	6	5	5	6	6	1	1
JM Tennent	6	6	–	–	6	6	1	1
GD Harry[(a)]	–	–	5	5	–	–	–	–

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

Principal activities

During the year, the principal activities of AVS were:

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

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

Financial performance

A detailed review of financial results is provided on page 10. The net operating result for the consolidated entity for the year was $2.4 million (2021: $2.3 million). The net result (after other economic flows) was a loss of $0.3 million (2021 profit of $2.9 million).

Directors' report continued

Operational performance

A comprehensive review of operations is provided on page 15.

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 2022. No dividend has been paid during the year ended 30 June 2022 (2021: 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 2001*, AVS is required to comply with additional legislation: these are detailed on page 31. 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.

Non-audit services

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

Proceedings on behalf of the Company

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

Auditor's independence declaration

The auditor's independence declaration is set out on page 37 of this report and forms part of the directors' report for the financial year ended 30 June 2021.

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

Ms Sam Andersen
Director
26 August 2022

Dr Amanda Caples
Director
26 August 2022

ANNUAL FINANCIAL REPORT **2021**

Annual financial report 2021–22

Agriculture Victoria Services Pty Ltd (AVS) has presented its audited general purpose annual financial report for the financial year ended 30 June 2022 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 annual financial report and notes are in accordance with the *Corporations Act 2001*, including:

    a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and

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

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

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

We authorise the attached annual financial report for issue on 26 August 2022.

Ms Sam Andersen
Director
26 August 2022

Dr Amanda Caples
Director
26 August 2022

Annual Financial Report 2021–22 continued

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Directors of Agriculture Victoria Services Pty Ltd

Opinion	I have audited the consolidated financial report of Agriculture Victoria Services Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the: • consolidated entity and company consolidated balance sheet as at 30 June 2022 • consolidated entity and company consolidated comprehensive operating statement for the year then ended • consolidated entity and company consolidated statement of changes in equity for the year then ended • consolidated entity and company consolidated cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • directors' declaration. In my opinion the financial report is in accordance with the *Corporations Act 2001* including: • giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2022 and of their financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the Corporations Regulations 2001.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Directors' responsibilities for the financial report	The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Annual Financial Report 2021–22 continued

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

Annual Financial Report 2021–22 continued

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

MELBOURNE
1 September 2022

Simone Bohan
as delegate for the Auditor-General of Victoria

Annual Financial Report 2021–22 continued

VAGO
Victorian Auditor-General's Office

Auditor-General's Independence Declaration

To the Directors, Agriculture Victoria Services Pty Ltd

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

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

Independence Declaration

As auditor for Agriculture Victoria Services Pty Ltd for the year ended 30 June 2022, 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
1 September 2022

Simone Bohan
as delegate for the Auditor-General of Victoria

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Annual Financial Report 2021–22 continued

Consolidated comprehensive operating statement

For the year ended 30 June 2022

	Notes	Consolidated 2022 $	2021 $
Continuing operations			
Revenue and income from transactions			
Revenue from services and royalties	2.1	22,918,897	23,916,179
Other Income	2.1	1,164,370	1,327,943
Total revenue and income from transactions		**24,083,267**	**25,244,122**
Expenses from transactions			
Employee expenses	3.2.1	2,674,031	2,470,568
Depreciation and amortisation	4.4	254,883	275,161
Interest expense	6.1.1	36,677	55,417
Research and development, royalty and patent expenses	3.3	16,674,561	18,730,209
Other operating expenses	3.4	2,031,171	1,385,832
Total expenses from transactions		**21,671,323**	**22,917,187**
Net result from transactions (net operating balance)		**2,411,944**	**2,326,935**
Other economic flows included in net result			
Net gain/(loss) on non-financial instruments	8.1	62,828	–
Net gain/(loss) on financial instruments [(a)]	8.1	(2,853,208)	545,951
Other Gains/(losses)	8.1	39,431	8,491
Total other economic flows included in net result		**(2,750,949)**	**554,442**
Net result		**(339,005)**	**2,881,377**
Comprehensive result		**(339,005)**	**2,881,377**

The accompanying notes form part of the annual financial report.

Annual Financial Report 2021–22 continued

Consolidated Balance Sheet
As at 30 June 2022

	Notes	Consolidated 2022 $	2021 $
Assets			
Financial assets			
Cash and deposits	6.2	19,338,946	24,656,935
Receivables	5.1	3,964,268	3,813,820
Investments and other financial assets	4.7	23,722,788	24,551,356
Total financial assets		**47,026,002**	**53,022,111**
Non-financial assets			
Plant, equipment and motor vehicles	4.1	108,586	66,919
Right-of-Use assets	4.2	497,430	548,786
Intangible assets	4.5	214,340	139,671
Leasehold improvements	4.3	505,996	579,400
Other non-financial assets	5.3	155,840	30,522
Total non-financial assets		**1,482,192**	**1,365,298**
Total assets		**48,508,194**	**54,387,409**
Liabilities			
Payables	5.2	12,218,006	17,820,235
Borrowings	6.1.3	37,868	67,199
Lease liability	6.1.4	729,747	798,679
Employee related provisions	3.2.2	628,695	468,413
Total liabilities		**13,614,316**	**19,154,526**
Net assets		**34,893,878**	**35,232,883**
Equity			
Accumulated surplus		29,893,878	30,232,883
Contributed capital	8.6	5,000,000	5,000,000
Net worth		**34,893,878**	**35,232,883**

The accompanying notes form part of the annual financial report

Annual Financial Report 2021–22 continued

Consolidated cash flow statement

For the year ended 30 June 2022

	Notes	Consolidated 2022 $	2021 $
Cash flows from operating activities			
Receipts			
Receipts from customers		23,072,542	25,511,656
Other revenue received		1,333,583	148,257
Total receipts		**24,406,125**	**25,659,913**
Payments			
Payments to suppliers and employees		(26,635,576)	(16,110,108)
Goods and services tax paid to the ATO [a]		(895,583)	(342,987)
Interest and other costs of finance paid		(38,924)	(55,417)
Total payments		**(27,570,083)**	**(16,508,512)**
Net cash flows from/(used in) operating activities	**6.2.1**	**(3,163,958)**	**9,151,401**
Cash flows from investing activities			
Proceeds from disposal of motor vehicle		63,758	-
Payment for purchase of motor vehicle		(91,280)	-
Payment for investments		(2,020,000)	(24,000,000)
Net cash flows from/(used in) investing activities		**(2,047,522)**	**(24,000,000)**
Cash flows from financing activities			
Repayment of borrowings		(11,642)	(18,182)
Repayment of principal portion of lease liabilities		(94,867)	(76,638)
Net cash flows used in financing activities		**(106,509)**	**(94,820)**
Net increase/(decrease) in cash and cash equivalents		**(5,317,989)**	**(14,943,419)**
Cash and cash equivalents at beginning of financial year		24,656,935	39,600,354
Cash and cash equivalents at end of financial year	**6.2**	**19,338,946**	**24,656,935**

The accompanying notes form part of the annual financial report.

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

Annual Financial Report 2021–22 continued

Consolidated statement of changes in equity

For the year ended 30 June 2022

	Consolidated		
	Accumulated surplus $	Contributions by owner $	Total $
Balance at 1 July 2020	**27,351,506**	**5,000,000**	**32,351,506**
Net result for the year	2,881,377	–	2,881,377
Balance at 30 June 2021	**30,232,883**	**5,000,000**	**35,232,883**
Balance at 1 July 2021	**30,232,883**	**5,000,000**	**35,232,883**
Net result for the year	(339,005)	–	(339,005)
Balance at 30 June 2022	**29,893,878**	**5,000,000**	**34,893,878**

The accompanying notes form part of the annual financial report.

Notes to the Annual Financial Report

For the year ended 30 June 2022

1. About this report

Introduction

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

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

A description of the nature of the Company's operations and its principal activities are included earlier in this annual report, which does not form part of the consolidated annual financial report. The consolidated annual financial report was authorised for issue by the Directors of the Company on 26 August 2022.

1.1 Basis of preparation

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

1.2 Currency

All figures are denominated in Australian dollars.

1.3 Historical Cost

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

1.4 Accrual Basis

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

1.5 Accounting Policies

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

1.6 Consolidation of Group Entities

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

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

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

1.7 Judgements, Estimates and Assumptions

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

Notes to the Annual Financial Report continued

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

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

1.8 Compliance information

The consolidated general purpose annual financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board. Where applicable, the consolidated general purpose annual financial report has also been prepared in accordance with the 2021-22 Department of Treasury and Finance (DTF) Model Financial Report.

2. Funding delivery of our services

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

The Group manages 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 these research and innovation outcomes.

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

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

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

	Consolidated	
	2022 $	2021 $
Revenue from services and royalties		
Revenue from supply of services	12,157,519	15,442,638
Royalty income	10,761,378	8,473,541
Total revenue from services and royalties	**22,918,897**	**23,916,179**
Other income		
Interest on bank deposits	27,135	41,154
Investment distributions	1,137,235	1,286,789
Total other income	**1,164,370**	**1,327,943**
Total revenue and income from transactions	**24,083,267**	**25,244,122**

Notes to the Annual Financial Report continued

Performance obligations and revenue recognition policies

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

Total revenue from services and royalties are transactions that the Group has determined to be classified as revenue from contracts with customers in accordance with AASB 15. Revenue is measured based on the consideration specified in the contract with the customer. The Group recognises revenue when it transfers control of a service to the customer, that is when the performance obligations for the services to the customer are satisfied.

Revenue from the supply of services

Revenue from the supply of services is recognised at a point in time when the performance obligation is satisfied and when the service is completed; and over time for the DJPR research and collaboration agreement as services are provided.

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

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

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

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

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

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

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

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

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions, but are reported as part of income from other economic flows in the net result (refer Note 4.7 and Note 7.1), forming part of the total change in net worth in the comprehensive result.

Notes to the Annual Financial Report continued

3. The cost of delivering our services

Introduction

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

Structure

3.1 Expenses incurred in delivery of services
3.2 Employee benefit expenses
3.3 Research and development, royalty and patent expenses
3.4 Operating expenses

3.1 Expenses incurred in delivery of services

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

		Consolidated	
	Notes	2022 $	2021 $
Employee benefit expenses	3.2.1	2,674,031	2,470,568
Research and development, royalty and patent expenses	3.3	16,674,561	18,730,209
Operating expenses	3.4	2,031,171	1,385,832
Total expenses incurred in delivery of services		**21,379,763**	**22,586,609**

3.2 Employee benefit expenses

3.2.1 Employee benefits in the comprehensive operating statement

	Consolidated	
	2022 $	2021 $
Salaries and wages, annual leave and long service leave	2,460,851	2,273,657
Defined contribution superannuation expense	213,180	195,158
Defined benefit superannuation expense	–	1,753
Total employee benefit expenses	**2,674,031**	**2,470,568**

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. The net defined benefit cost related to the members of these plans are included in the DTF annual financial report as an administered liability (on behalf of the State as the sponsoring employer).

Notes to the Annual Financial Report continued

3.2.2 Employee benefits in the balance sheet

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

	Consolidated	
	2022 $	2021 $
Current provisions:		
Annual leave		
Unconditional and expected to settle within 12 months	277,186	210,753
Long service leave		
Unconditional and expected to settle within 12 months	18,378	64,926
Unconditional and expected to settle after 12 months	255,325	122,202
Provisions for on-costs		
Unconditional and expected to settle within 12 months	3,055	10,213
Unconditional and expected to settle after 12 months	42,448	19,222
Total current provisions for employee benefits	**596,392**	**427,316**
Non-current provisions:		
Employee benefits	27,698	35,511
On costs	4,605	5,586
Total non-current provisions for employee benefits	**32,303**	**41,097**
Total provisions for employee benefits	**628,695**	**468,413**

3.2.3 Reconciliation of movement in provisions

	Consolidated	
	2022 $	2021 $
Opening balance	**468,413**	**356,444**
Additional provisions recognised	223,490	137,454
Reductions arising from payments/other sacrifices of future economic benefits	(102,639)	(33,976)
Unwind of discount and effect of changes in the discount rate	39,431	8,491
Closing balance	**628,695**	**468,413**
Current	596,392	427,316
Non-current	32,303	41,097

Notes to the Annual Financial Report continued

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

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

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

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

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

The components of this current LSL liability are measured at:

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

Conditional LSL is disclosed as a non current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non current LSL is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction in the continuing operations section of the comprehensive operating statement, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

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.

Notes to the Annual Financial Report continued

	Consolidated Paid contribution for the year 2022 $	Consolidated Paid contribution for the year 2021 $	Consolidated Contribution outstanding at year end 2022 $	Consolidated Contribution outstanding at year end 2021 $
Defined benefit plans [(a)]				
State Superannuation Fund	–	1,315	–	438
Defined contribution plans				
VicSuper	109,422	82,022	12,187	11,093
Other	86,441	89,050	5,130	12,994
Total	**195,863**	**172,387**	**17,317**	**24,525**

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

3.3 Research and development, royalty and patent expenses

	Consolidated 2022 $	Consolidated 2021 $
Contract research and development project expenses	8,977,681	12,523,274
Royalty expenses	5,962,999	4,443,164
Patent expenses	1,733,881	1,763,771
Total Research and development, royalty and patent expenses	**16,674,561**	**18,730,209**

Contract research and development project expenses includes expenditure on research and development activities conducted by the Department that may be funded by third parties (with the Group acting as the agent) or may be expenditure on research activities for the Group's investment projects. It is recognised as an expense in the period in which it is incurred.

As at 30 June 2022, the Group had twelve active investment projects under management. In accordance with *AASB 138 – Intangible Assets*, eight of these investments have been assessed as remaining in the research phase with expenditure expensed in the year incurred. Four of the investments are assessed as development phase and expenditure is capitalised and reported as intangible assets (Note 4.5). One investment is recognised as an investment in a subsidiary (Note 4.6).

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.

Notes to the Annual Financial Report continued

3.4 Operating expenses

	Consolidated	
	2022 $	2021 $
Supplies and services		
Managed service (ICT)	116,875	116,875
Insurance	125,714	90,623
Legal services	279,146	210,421
Consultants	538,054	356,174
Agency Cost	355,631	156,879
Audit services	72,049	96,470
Other borrowing costs (other than interest)	6,336	7,605
Recruitment Costs	72,854	33,096
ICT Costs	48,579	79,350
Training	85,005	97,268
Subscriptions	55,894	24,703
Other operating expenses	275,034	116,368
Total operating expenses	**2,031,171**	**1,385,832**

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

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

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

Notes to the Annual Financial Report continued

4. Key assets available to support output delivery

Introduction

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

Significant judgement: Classification of investments as 'key assets'

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

Estimating useful life of property, plant and equipment

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

Estimating useful life of right-of-use assets

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

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

Estimating restoration costs at the end of a lease

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

Identifying intangible assets and the classification between research and development phases

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

Identifying indicators of impairment

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

Fair value measurement

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

Structure

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

Notes to the Annual Financial Report continued

4.1 Plant, equipment and vehicles

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Plant and equipment at fair value	2,659	2,659	(2,625)	(2,616)	34	43
Motor vehicles at fair value	132,269	170,999	(23,717)	(104,123)	108,552	66,876
Net carrying amount	**134,928**	**173,658**	**(26,342)**	**(106,739)**	**108,586**	**66,919**

	Plant, equipment and vehicles at fair value	
	2022 $	2021 $
Opening balance – 1 July 2021	**66,919**	**85,583**
Additions	132,268	–
Disposals	(58,673)	–
Depreciation	(31,928)	(18,664)
Closing balance – 30 June 2022	**108,586**	**66,919**

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

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

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

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

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

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

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

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

Notes to the Annual Financial Report continued

4.2 Right-of-use assets

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Right-of-use asset at fair value	770,522	744,588	(273,092)	(195,802)	497,430	548,786
Net carrying amount	**770,522**	**744,588**	**(273,092)**	**(195,802)**	**497,430**	**548,786**

	Right-of-use asset	
	2022 $	2021 $
Opening balance – 1 July 2021	**548,786**	**815,838**
Additions	–	–
Disposals	–	–
Depreciation	(77,290)	(97,901)
Subsequent measurement adjustments	25,934	(169,151)
Closing balance – 30 June 2022	**497,430**	**548,786**

Note: *(a) correction of carrying the balance at 30 June 2021, which reflects an adjusted interest rate issued by the DTF.*

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

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

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

Right-of-use assets – Subsequent measurement

The 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 Annual Financial Report continued

4.3 Leasehold improvements

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Leasehold improvements	732,028	732,028	(226,032)	(152,628)	505,996	579,400
Net carrying amount	**732,028**	**732,028**	**(226,032)**	**(152,628)**	**505,996**	**579,400**

	Leasehold Improvements	
	2022 $	2021 $
Opening balance – 1 July 2021	**579,400**	**652,802**
Additions	–	–
Depreciation	(73,404)	(73,402)
Closing balance – 30 June 2022	**505,996**	**579,400**

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

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

4.4 Depreciation and amortisation

	Consolidated	
Charge for the period	2022 $	2021 $
Plant and equipment	9	13
Motor vehicles	31,918	18,651
Leasehold improvements	73,404	73,402
Right-of-use assets	77,290	97,901
Intangible assets (amortisation)	72,262	85,193
Total depreciation	**254,883**	**275,161**

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

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

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

Notes to the Annual Financial Report continued

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

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

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

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

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

4.5 Intangible assets

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

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

	Useful Life (years)	
Project	Full	Remaining
Primary Oilseeds	19	1
HOLL Canola	19	5
Herbicide Tolerant Barley	15	7
Herbicide Tolerant Lentils	13	3

Notes to the Annual Financial Report continued

4.5.1 Recognition

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

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

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

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

4.5.2 Amortisation

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

Amortisation	2022 $	2021 $
Amortisation for the period	72,262	85,193

4.5.3 Impairment

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

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

There have been no impairment charges for the reporting period.

Notes to the Annual Financial Report continued

4.5.4 Reconciliation of Movements in Carrying Amount

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2022 $	2021 $	2022 $	2021 $	2022 $	2021 $
Primary Oilseeds	1,506,677	1,506,677	(1,473,080)	(1,439,483)	33,597	67,194
Holl Canola	300,000	300,000	(245,523)	(227,523)	54,477	72,477
HT Barley	131,079	–	(16,702)	–	114,377	–
HT Lentils	15,852	–	(3,963)	–	11,889	–
Net carrying amount	**1,953,608**	**1,806,677**	**(1,739,268)**	**(1,667,006)**	**214,340**	**139,671**

	Primary Oilseeds $	HOLL Canola $	HT Barley $	HT Lentils $
Opening balance – 1 July 2021	**67,194**	**72,477**	**–**	**–**
Additions	–	–	131,079	15,852
Disposals	–	–	–	–
Amortisation	(33,597)	(18,000)	(16,702)	(3,963)
Closing balance – 30 June 2022	**33,597**	**54,477**	**114,377**	**11,889**
Opening balance – 1 July 2020	**134,387**	**90,477**	**–**	**–**
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation	(67,193)	(18,000)	–	–
Closing balance – 30 June 2021	**67,194**	**72,477**	**–**	**–**

Notes to the Annual Financial Report continued

4.6 Interests in subsidiary entity

	Ordinary share Entity Interest	
	2022 %	2021 %
Controlled entities		
Phytogene Pty Ltd	100	100

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

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

The company owns Phytogene share capital of $1,055,002 at 30 June 2022 (2021: $1,005,002).

The investment is measured at historical cost and no impairment was identified for year ended 30 June 2022.

Please refer to Note 1.1 for the principles of consolidation.

4.7 Investments and other financial assets

	Consolidated	
	2022 $	2021 $
Current investments and other financial assets		
Term deposits ≥ three months	2,020,000	–
Total current investments and other financial assets	**2,020,000**	**–**
Non-current investments and other financial assets		
Managed investment scheme	21,702,788	24,551,356
Total non-current investments and other financial assets	**21,702,788**	**24,551,356**
Total investments and other financial assets	**23,722,788**	**24,551,356**

Term deposits are held with Treasury Corporation Victoria (TCV) and include only deposits with a maturity greater than 90 days.

The managed investment scheme is held with Victorian Funds Management Corporation (VFMC) in its Balanced Fund. The Balanced Fund meets the Group's investment policy requirements including risk and long-term growth. The investment is recognised at fair value based on the unit prices advised by VFMC each year. (Refer Note 7.1 for details on the accounting for this financial asset)

The VFMC managed investment scheme is classified as non-current reflecting the Group's intention to retain this asset beyond 30 June 2023.

Notes to the Annual Financial Report continued

5. Other assets and liabilities

Introduction

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

Structure

5.1 Receivables
5.2 Payables
5.3 Other non-financial assets

5.1 Receivables

	Consolidated	
	2022 $	2021 $
Current receivables		
Contractual		
Sale of services and royalties	1,530,973	2,194,466
Accrued interest income	7,750	655
Accrued managed fund distribution	1,003,358	1,179,901
Other receivables	44,695	71,237
Seed capital toward future Subsidiary incorporation	115,790	–
Amounts owed by DJPR	984,426	187,025
Statutory		
GST input tax credit recoverable	277,277	180,536
Total current receivables	**3,964,269**	**3,813,820**

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

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

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

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

The Group does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

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

Notes to the Annual Financial Report continued

5.2 Payables

	Consolidated	
	2022 $	2021 $
Current payables		
Contractual		
Supplies and services	1,302,768	505,842
Amounts payable to DJPR	9,331,556	13,776,650
Other payables and accrued expenses	640,298	521,150
Contract liabilities – unearned income[(a)]	641,770	2,500,000
Statutory		
FBT payable	9,071	12,938
Other taxes payable	54,000	63,571
GST payable	238,543	440,084
Total payables	**12,218,006**	**17,820,235**

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

Payables consist of:

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

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

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

Notes to the Annual Financial Report continued

Contract liabilities – unearned income

	Consolidated	
	2022 $	2021 $
Contract liabilities		
Opening Balance	**2,500,000**	**–**
Add: Payments received for performance obligations yet to be completed during the period	215,000	2,500,000
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(2,073,230)	–
Total contract liabilities	**641,770**	**2,500,000**
Represented by		
Current contract liabilities	**641,770**	**2,500,000**

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

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

			Maturity dates			
	Carrying amount $	Nominal amount $	Less than 1 month $	1-3 months $	3 months – 1 year $	1+ years $
2022						
Supplies and services	1,302,768	1,302,768	1,293,696	9,072	–	–
Amounts payable to DJPR	9,331,556	9,331,556	–	835,844	4,598,934	3,896,778
Unearned income	641,770	641,770	215,000	426,770	–	
Other payables	640,298	640,298	640,298	–	–	–
Total	**11,916,392**	**11,916,392**	**11,480,550**	**435,842**	**–**	**–**
2021						
Supplies and services	505,842	505,842	505,842	–	–	–
Amounts payable to DJPR	13,776,650	13,776,650	–	700,450	8,681,047	4,395,153
Unearned income	2,500,000	2,500,000	2,500,000	–	–	–
Other payables	521,150	521,150	521,150	–	–	–
Total	**17,303,642**	**17,303,642**	**16,753,642**	**–**	**550,000**	**–**

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

Notes to the Annual Financial Report continued

5.3 Other non-financial assets

	Consolidated	
	2022 $	2021 $
Current other assets		
Prepayments	155,840	30,522
Total current other assets	**155,840**	**30,522**

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

6. Financing our operations

Introduction

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

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

Structure

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

6.1 Leases

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

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

6.1.1 Amounts recognised in the Comprehensive Operating Statement

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

	Consolidated	
	2022 $	2021 $
Interest expense on lease liabilities	36,677	52,911
Interest on lease of motor vehicles	–	2,506
Total amount recognised in the Comprehensive Operating Statement	**36,677**	**55,417**

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

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

Notes to the Annual Financial Report continued

6.1.2 Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2022 relating to leases:

	Consolidated	
	2022 $	2021 $
Repayment of principal portion of lease liabilities	94,867	76,638
Total cash outflow for leases	**94,867**	**76,638**

Treatment of Leased Assets

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

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

Separation of lease and non-lease components

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

Recognition and measurement of leases as a lessee

Lease Liability – initial measurement

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

Lease Liability – subsequent measurement

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

Presentation of right-of-use assets and lease liabilities

The Group presents right-of-use assets and lease liabilities as separate categories in the balance sheet.

Notes to the Annual Financial Report continued

6.1.3 Leases of motor vehicles

	Consolidated 2022 $	2021 $
Current borrowings		
Lease liabilities – motor vehicles [a]	5,441	36,360
Total current borrowings	**5,441**	**36,360**
Non current borrowings		
Lease liabilities – motor vehicles	32,427	30,839
Total non current borrowings	**32,427**	**30,839**
Total borrowings	**37,868**	**67,199**

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

Leases are classified as financial instruments.

Subsequent to initial recognition the Group categorises its interest-bearing liabilities as 'financial liabilities designated at 'amortised cost'.

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

	Minimum future lease payments [a] 2022 $	2021 $	Present value of minimum future lease payments 2022 $	2021 $
Lease liabilities payable – motor vehicles [b]				
Not longer than 1 year	6,238	37,599	6,238	37,599
Longer than 1 year but not longer than 2 years	6,238	31,314	6,238	31,314
Longer than 2 years	27,104	–	27,104	–
Minimum future lease payments				
Less future finance charges	(1,712)	(1,714)	(1,712)	(1,714)
Present value of minimum lease payments	37,868	67,199	37,868	67,199
Included in the annual financial report as:				
Current borrowings lease liabilities (Note 6.1)			5,441	36,360
Non current borrowings lease liabilities (Note 6.1)			32,427	30,839
Total			**37,868**	**67,199**

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

Notes to the Annual Financial Report continued

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

6.1.4 Leases Right-of-use Assets

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

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

	Consolidated	
	2022 $	2021 $
Current		
Lease liabilities – RoU Assets	100,715	92,767
Total current liabilities	**100,715**	**92,767**
Non current borrowings		
Lease liabilities – RoU Assets	629,032	705,912
Total non current liabilities	**629,032**	**705,912**
Total liabilities for RoU Assets	**729,747**	**798,679**

Notes to the Annual Financial Report continued

6.2 Cash flows information and balances

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

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

		Consolidated
	2022 $	2021 $
Cash at bank and on hand	17,218,603	8,715,536
Deposits at call	100,343	15,941,399
Deposits ≤ 90 days	2,020,000	–
Balance as per cash flow statement	**19,338,946**	**24,656,935**

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

		Consolidated
	2022 $	2021 $
Net result for the period	**(339,005)**	**2,881,377**
Non cash movements		
Depreciation and amortisation of non current assets	254,883	275,161
Net (Gain)/Loss on disposal of plant and equipment	(63,758)	–
Net (Gain)/Loss on Financial Instruments	2,848,568	(551,356)
Movements in assets and liabilities		
(Increase)/decrease in receivables	(150,448)	(1,707,403)
Increase/(decrease) in payables	(5,602,229)	8,052,050
Increase/(decrease) in provisions	160,281	111,968
(Increase)/decrease in intangible assets	(146,932)	–
Increase/(decrease) in prepayments	(125,318)	89,604
Net cash flows from/(used in) operating activities	**(3,163,958)**	**9,151,401**

Notes to the Annual Financial Report continued

6.3 Commitments for expenditure

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

a) Research expenditure and operating lease commitments

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

Nominal amounts 2021	Less than 1 year $	1-5 years $	Total $
Research expenditure commitments payable	137,500	137,500	275,000
Total commitments (inclusive of GST)	**137,500**	**137,500**	**275,000**
Less GST recoverable	(12,500)	(12,500)	(25,000)
Total commitments (exclusive of GST)	**125,000**	**125,000**	**250,000**

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

b) Capital commitments

There are no capital commitments as at 30 June 2022 (2021:nil).

Notes to the Annual Financial Report continued

7. Risks, contingencies and valuation judgements

Introduction

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

Structure

7.1 Financial instruments specific disclosures

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

Categories of financial instruments

Financial assets at amortised cost

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

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

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

The Group recognises the following assets in this category:

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

Financial liabilities at amortised cost

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

The Group recognises the following liabilities in this category:

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

Financial assets and liabilities at fair value through net result

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

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

Financial instruments at fair value through net result are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows.

Notes to the Annual Financial Report continued

The Group invests in VFMC managed funds, which are not quoted in an active market. The Group considers the valuation techniques and inputs used in valuing these funds. The net asset value of these funds is used as an input into measuring their fair value, and is adjusted as necessary to reflect other specific factors of the fund.

The Group recognises foreign exchange gains and losses arising from receivables and payables in this category.

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

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

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

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

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

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

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

Notes to the Annual Financial Report continued

7.1.1 Financial instruments: Categorisation

	2022					2021				
	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Financial assets/ liabilities at fair value through profit/ loss (FVTPL)	Total	Cash and deposits	Financial assets at amortised cost (AC)	Financial liabilities at amortised cost (AC)	Financial assets/ liabilities at fair value through profit/ loss (FVTPL)	Total
	$	$	$		$	$	$	$		$
Contractual financial assets										
Cash and deposits										
Cash and deposits	19,338,946	–	–	–	19,338,946	24,656,935	–	–	–	24,656,935
Investments and other financial assets	–	–	–	23,722,788	23,722,788	–	–	–	24,551,356	24,551,356
Receivables [(a)]										
Sale of services and royalties	–	1,530,973	–	–	1,530,973	–	2,194,466	–	–	2,194,466
Accrued interest income	–	7,750	–	–	7,750	–	655	–	–	655
Accrued distribution from VFMC	–	1,003,358	–	–	1,003,358	–	1,179,901	–	–	1,179,901
Other receivables	–	44,695	–	–	44,695	–	71,237	–	–	71,237
Seed capital future Subsidiary incorporation		115,790	–	–	115,790	–	–	–	–	–
Amounts owed from DJPR	–	984,426	–	–	984,426	–	187,025	–	–	187,025
Total contractual financial assets	**19,338,946**	**3,686,992**	**–**	**23,722,788**	**46,748,726**	**24,656,935**	**3,633,284**	**–**	**24,551,356**	**52,841,575**
Contractual financial liabilities										
Payables [(a)]										
Supplies and services	–	–	1,302,768	–	1,302,768	–	–	505,842	–	505,842
Amounts payable to DJPR	–	–	9,331,556	–	9,331,556	–	–	13,776,650	–	13,776,650
Other payables	–	–	640,298	–	640,298	–	–	521,150	–	521,150
Contract liabilities	–	–	641,770	–	641,770	–	–	2,500,000	–	2,500,000
Borrowings									–	
Lease liabilities – Motor Vehicles	–	–	37,868	–	37,868	–	–	67,199	–	67,199
Lease liabilities – RoU Assets	–	–	729,747	–	729,747	–	–	798,679	–	798,679
Total contractual financial liabilities	**–**	**–**	**12,684,007**	**–**	**12,684,007**	**–**	**–**	**18,169,520**	**–**	**18,169,520**

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

Notes to the Annual Financial Report continued

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

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

2021	Net holding gain/(loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
Contractual financial assets					
Investments recognised at fair value through profit/(loss)	551,356	–	–	–	551,356
Total contractual financial assets	**551,356**	**–**	**–**	**–**	**551,356**
Contractual financial liabilities					
Financial liabilities at amortised cost	(5,405)	–	–	–	(5,405)
Total contractual financial liabilities	**(5,405)**	**–**	**–**	**–**	**(5,405)**

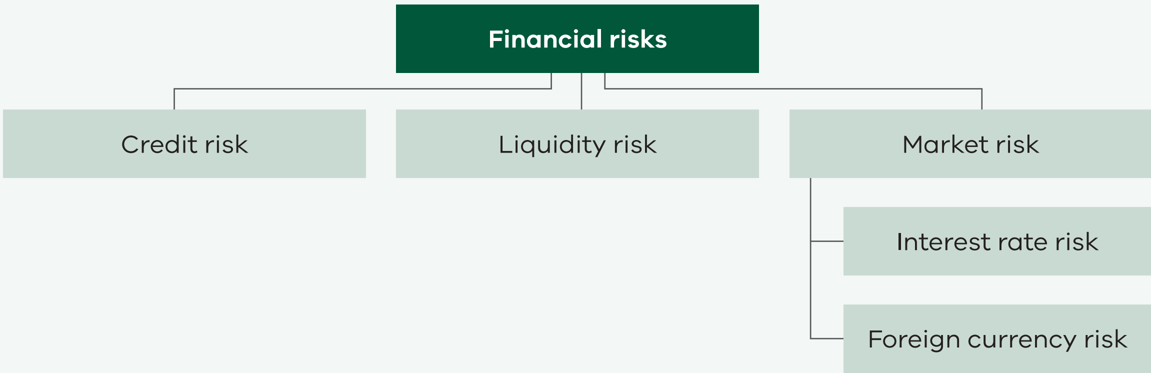
Note: *Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.*

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

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

Notes to the Annual Financial Report continued

7.1.3 Financial risk management objectives and policies



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

Details of the significant accounting policies and methods adopted for fair value measurement, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3 to the annual financial report.

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

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

Financial instruments: Credit risk

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

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

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

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

The Group's maximum exposure to credit risk without taking into account the value of any collateral obtained is the carrying amount of financial assets as detailed in table 7.1.

There has been no material change to the consolidated entity's credit risk profile in 2021–22.

Notes to the Annual Financial Report continued

Financial instruments: Liquidity risk

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

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

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

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

Financial instruments: Market risk

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

Sensitivity disclosure analysis and assumptions

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

- a movement of 100 basis points up and down in market interest rates (AUD);
- a movement of 10 per cent up and 10 per cent down (2021 10 per cent) in equity prices.

Interest rate risk

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

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

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

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

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

Notes to the Annual Financial Report continued

Interest rate exposure of financial instruments for the consolidated entity 2022

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

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

Notes to the Annual Financial Report continued

Interest rate exposure of financial instruments for the consolidated entity 2021

2021	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	8,715,536	–	8,715,536	–
Deposits at call	0.07	15,941,399	–	15,941,399	–
Investment and other financial assets	1.49	24,551,356	–	24,551,356	–
Receivables (a)					
Sale of services and royalties	–	2,194,466	–	–	2,194,466
Accrued interest income	–	655	–	–	655
Accrued distribution income (VFMC)	–	1,179,901	–	–	1,179,901
Other receivables	–	71,237	–	–	71,237
Amounts owed from DJPR	–	187,025	–	–	187,025
Total financial assets		**52,841,575**	**–**	**49,208,291**	**3,633,284**
Financial liabilities					
Payables (a)					
Supplies and services	–	505,842	–	–	505,842
Amounts payable to DJPR	–	13,776,650	–	–	13,776,650
Other payables	–	521,150	–	–	521,150
Contract liabilities	–	2,500,000	–	–	2,500,000
Borrowings					
Lease liabilities – Motor Vehicles	3.25	67,199	67,199	–	–
Lease liabilities – RoU Assets	4.91	798,679	798,679	–	–
Total financial liabilities		**18,169,520**	**865,878**	**–**	**17,303,642**

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

Notes to the Annual Financial Report continued

Interest rate risk sensitivity for the consolidated entity

2022	Carrying amount	100 basis points[a] Net result	+100 basis points Net result
Financial assets			
Cash and deposits			
Cash at bank	17,218,603	(172,186)	172,186
Deposits at call	100,343	(1,003)	1,003
Term deposits ≤ 90 days	2,020,000	(20,200)	20,200
Term deposits ≥ 90 days	2,020,000	(20,200)	20,200
Total impact	**21,358,946**	**(213,589)**	**213,589**
2021	**Carrying amount**	**-25 basis points Net result**	**+25 basis points Net result**
Financial assets			
Cash and deposits			
Cash at bank	8,715,536	(2,179)	2,179
Deposits at call	15,941,399	(3,985)	3,985
Total impact	**24,656,935**	**(6,164)**	**6,164**

Note: *(a) The sensitivity rate in 2022 to 100 basis points (2021: 25 basis points).*
The carrying amounts disclosed here exclude statutory amounts (e.g. GST input tax credit recoverable and GST payables).

Foreign currency risk

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

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

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

The Group's receivables and payables are not exposed to foreign currency movements in 2022. (2021: nil).

Notes to the Annual Financial Report continued

Equity price risk

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

		-10%	+10%
2022	**Carrying amount**	**Net result**	**Net result**
Financial assets			
VFMC managed funds	21,702,788	(2,170,279)	2,170,279
Total impact	**21,702,788**	**(2,170,279)**	**2,170,279**
2021	**Carrying amount**	**Net result**	**Net result**
Financial assets			
VFMC managed funds	24,551,356	(2,455,136)	2,455,136
Total impact	**24,551,356**	**(2,455,136)**	**2,455,136**

7.2 Contingent assets and contingent liabilities

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

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

There are no contingent assets and liabilities as at 30 June 2022. (2021: Nil).

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

Fair value hierarchy

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

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

No transfers between Levels was required during the 2021–22 financial year. (2020–21: Nil).

Notes to the Annual Financial Report continued

7.3.1 Fair value determination of financial assets and liabilities

The Group currently holds a range of financial instruments that are recorded in the annual financial report where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2022–23 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	
• VFMC balance fund	

7.3.2 Fair value determination of non-financial assets

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

8. Other disclosures

Introduction

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

8.1 Other economic flows included in net result

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

- revaluation of the present value of the long service leave liability due to changes in the bond interest rates;
- revaluation of financial instruments held at balance date 30 June 2022, refer note 7.1 Financial instruments specific disclosures;
- reversal of an asset impairment; and
- transfer of amounts from reserves to accumulated surplus or net result due to a disposal or derecognition or reclassification.

Notes to the Annual Financial Report continued

	2022 $	2021 $
Net gain/(loss) on non-financial instruments		
Net gain/(loss) on disposal of motor vehicles	62,828	–
Net gain/(loss) on financial instruments		
Net Gain / (Loss) on Financial Instruments	(2,848,568)	551,356
Net FX gain/(loss) arising from foreign cash and transaction	(4,640)	(5,405)
Total net gain/(loss) on financial instruments[a]	**(2,853,208)**	**545,951**
Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability[b]	39,431	8,491
Total other economic flows included in net result	**(2,750,949)**	**554,442**

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

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

8.2 Responsible persons

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

Responsible Minister

The person who held the position of responsible minister is the Minister for Agriculture, the Hon. Mary-Anne Thomas MP was Minister from 1 July 2021 to 30 June 2022.

Remuneration of responsible minister

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

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

Responsible Persons

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

Ms SD Andersen (AVS Chair)	1 July 2021 to 30 June 2022
Dr A Caples (AVS Director)	1 July 2021 to 30 June 2022
Ms JE Perrier (AVS Director)	1 July 2021 to 30 June 2022
Dr JM Tennent (AVS Director)	1 August 2021 to 30 June 2022
Mr RA Jagger (AVS Director)	1 July 2021 to 30 June 2022
Dr RTH Aldous (AVS Director and Phytogene Chair)	1 July 2021 to 30 June 2022
Prof GC Spengenberg (Phytogene Director)	1 July 2021 to 30 June 2022
Mr D Liesegang (AVS CEO and Phytogene EO)	1 July 2021 to 30 June 2022

Notes to the Annual Financial Report continued

Remuneration of directors and accountable officers

Remuneration received or receivable by each director of the Board in connection with the management of the Company during the reporting period was in the range: $30,000 to $40,000 (2021: $30,000 – $40,000).

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

Remuneration received or receivable by the accountable officer in connection with management of the group during reporting period was in the range: $300,000 to $310,000 (2021: $290,000 to $300,000).

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

8.3 Remuneration of executives

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

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

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

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

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

	Total remuneration	
Remuneration of executive officers	**2022 $**	**2021 $**
Short-term employee benefits	319,472	375,133
Post-employment benefits	25,388	33,159
Other long-term benefits	2,561	25,725
Termination Benefits	42,010	–
Total remuneration (a)	**389,431**	**434,017**
Total number of executives	**3**	**2**
Total annualised employee equivalents (b)	**2**	**2**

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

Notes to the Annual Financial Report continued

8.4 Related parties

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

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

Subsidiary

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

Key management personnel

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

Ms SD Andersen (AVS Chair)	1 July 2021 to 30 June 2022
Dr A Caples (AVS Director)	1 July 2021 to 30 June 2022
Ms JE Perrier (AVS Director)	1 July 2021 to 30 June 2022
Dr JM Tennent (AVS Director)	1 August 2021 to 30 June 2022
Mr RA Jagger (AVS Director)	1 July 2021 to 30 June 2022
Dr RTH Aldous (AVS Director and Phytogene Chair)	1 July 2021 to 30 June 2022
Prof GC Spangenberg (Phytogene Director)	1 July 2021 to 30 June 2022
Mr D Liesegang (AVS CEO and Phytogene EO)	1 July 2021 to 30 June 2022

		Consolidated
Compensation of KMPs	2022 $	2021 $
Short-term employee benefits	414,063	336,216
Post-employment benefits	34,518	31,082
Other long-term benefits	106,288	75,139
Total remuneration [(a) (b) (c) (d)]	**554,869**	**442,437**

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

Notes to the Annual Financial Report continued

Transactions and balances with key management personnel and other related parties

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

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

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

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

8.5 Significant commercial transactions with the State of Victoria

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

For the year ended 30 June 2022 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	
	2022 $	**2021 $**
Revenues Received from the DJPR	815,000	5,000,000
Expenses Paid to the DJPR	13,202,880	7,895,313
Receivables Receivable from the DJPR	984,426	187,025
Payables Payable to the DJPR	9,331,557	13,776,650

Notes to the Annual Financial Report continued

8.6 Parent entity information

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

Investments in subsidiary

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

Parent Entity Balance Sheet	2022 $	2021 $
Assets		
Financial assets		
Cash and deposits	19,131,550	24,410,892
Receivables	3,964,127	3,813,299
Other financial assets	1,055,002	1,055,002
Investments	23,702,788	24,551,356
Total financial assets	**47,853,467**	**53,830,549**
Non financial assets		
Plant, equipment and motor vehicle	108,586	66,919
Intangible assets	214,340	139,671
Right of Use assets	497,430	548,786
Leasehold Improvements in progress	505,996	579,400
Other non-financial assets	155,840	30,522
Total non financial assets	**1,482,192**	**1,365,298**
Total assets	**49,335,659**	**55,195,847**
Liabilities		
Payables	12,208,511	17,809,218
Borrowings	37,868	67,199
Right of Use liability	729,747	798,679
Employee related provisions	628,695	468,413
Total liabilities	**13,604,821**	**19,143,509**
Net assets	**35,730,838**	**36,052,338**
Equity		
Accumulated surplus/(deficit)	30,730,838	31,052,338
Contributed capital	5,000,000	5,000,000
Net worth	**35,730,838**	**36,052,338**

Notes to the Annual Financial Report continued

Parent Entity Profit and Loss Statement	2022 $	2021 $
Net result from transactions (net operating balance)	2,429,449	2,352,227
Other economic flows included in net result	(2,750,949)	554,442
Total Comprehensive result	**(321,500)**	**2,906,669**

Contingent Assets and Liabilities of the parent entity

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

There are no contingent assets and liabilities as at 30 June 2022. (2021: nil)

Capital Commitments of the parent entity

There are no capital commitments as at 30 June 2022. (2021: nil)

Share Capital

5,000,000 fully paid ordinary shares $5,000,000 in 2022. (2021: $5,000,000)

8.7 Remuneration of auditors

	Consolidated	
	2022 $	2021 $
Victorian Auditor General's Office		
Audit the annual financial report	41,960	44,310
HLB Mann Judd Pty Ltd		
Internal Audit Services	30,089	52,160
Other non audit services [(a)]	-	-
Total remuneration of auditors	**72,049**	**96,470**

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

Notes to the Annual Financial Report continued

8.8 Subsequent events

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.

8.9 Other accounting policies and presentation of the annual financial report

Contributions by owners

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

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

Foreign currency balances / transactions

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

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

Comprehensive operating statement

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

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

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

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

Balance Sheet

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

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

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

Cash Flow Statement

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

Notes to the Annual Financial Report continued

Statement of Changes in Equity

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

Accounting for goods and services tax

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

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

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

Income tax

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

Compliance information

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

8.10 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2021–22 reporting period. These accounting standards have not been applied in the preparation of this annual financial report. The Company is reviewing its existing policies and assessing the potential implications of these accounting standards which includes:

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

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 AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date to defer the application by one year to periods beginning on or after 1 January 2023. The Company 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.

Notes to the Annual Financial Report continued

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 Company's reporting.

- AASB 17 Insurance Contracts.
- AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.
- AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.
- AASB 2021-6 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards.
- AASB 2021-7 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.

8.11 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.

Notes to the Annual Financial Report continued

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

Financial liability is any liability that is:

(a) a contractual obligation:

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

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

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

Financial statements comprise:

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

(b) a comprehensive operating statement for the period;

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

(d) a cash flow statement for the period;

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

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

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

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

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

Net financial liabilities is calculated as liabilities less financial assets.

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.

Notes to the Annual Financial Report continued

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 1: Acronyms and glossary of terms

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

Term	Meaning
HT	Herbicide Tolerant
IBAC	Independent Broad-based Anti-corruption Commission
ICT	Information and Communications Technology
IP	Intellectual Property
LXR®	Delayed plant leaf senescence technology. Pronounced 'Elixir'.
NPV	Net Present Value
OHV	Optimal Haploid Value. OHV is a technology 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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