AGRICULTURE VICTORIA SERVICES

Agriculture Victoria Services Pty Ltd

Annual Report 2023–24

VICTORIA State Government

Energy, Environment and Climate Action

Cover: Dairy Cows – Agriculture Victoria Ellinbank SmartFarm

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Directors

Ms SD Andersen – Chair

Dr RTH Aldous (to 31/10/2023)

Ms DM Angus (from 01/11/2023)

Dr A Caples

Mr GD Harry (from 01/11/2023)

Mr RA Jagger

Ms JE Perrier

Dr JM Tennent (to 31/10/2023)

Chief Executive Officer

Ms M Goldsmith (from 20/11/2023)

Mr SM Cagney (to 20/11/2023)

Company Secretary

Mr SM Cagney

Auditors

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

Bankers

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

Commonwealth Bank of Australia
499 St Kilda Road
Melbourne VIC 3004

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

Agriculture Victoria Services Pty Ltd acknowledges and respects Victorian Traditional Owners as the original custodians of Victoria's land and waters, their unique ability to care for Country and deep spiritual connection to it. We honour Elders past and present whose knowledge and wisdom has ensured the continuation of culture and traditional practices.

We are committed to genuinely partner, and meaningfully engage, with Victoria's Traditional Owners and Aboriginal communities to support the protection of Country, the maintenance of spiritual and cultural practices and their broader aspirations in the 21st century and beyond.

ACN 006 598 198

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Contents

Message from the Chair and CEO

We are pleased to present the Agriculture Victoria Services Pty Ltd (AVS) annual report for the year ended 30 June 2024.

This financial year has marked a period of evolution for AVS, as we sought to capitalise on assets and capabilities within our innovation portfolio to ensure ongoing growth of our economic, social and environmental impact for Victorian agriculture.

Having undertaken a major strategic review, on 1 July 2024 we formally began delivery of our bold new three-year strategy which will contribute to transformational change within the Victorian agricultural sector. The rationale for investment in the commercialisation of agriculture has become even more compelling in recent times, and our new strategy outlines how we will unlock the unrealised value within Victoria's agricultural industries.

Our significant intellectual property (IP) portfolio is represented by 51 patent families in 32 countries and reflects the broad range of innovations that arise from the research of the Agriculture Victoria Research division (AVR) of Agriculture Group, within the Department of Energy, Environment and Climate Action (DEECA or the Department). Commercialising these assets will have wide impact for Victorian agriculture, including in plant and animal genetic gain, better pest and disease management, novel technologies with application in novel bioindustries and the delivery of new digital technologies.

As part of our responsible management of our IP assets, we initiated an independent review of the portfolio during the reporting period and reduced aging filings or those which no longer had a clear path to market and impact. Our portfolio was renewed with 14 new Australian filings, including applications for patents, trade marks and plant breeder's rights, and a further 10 overseas filings, enhancing protection of AVR research outputs. These filings have a particular focus on innovations which will enhance Victorian productivity and the economy in an environmentally beneficial manner, aligning activities to meet the challenges presented through a renewed focus on the 'triple bottom line' of economic, societal and environment impacts.

We signed 15 commercial agreements during the reporting period, which will enable our IP assets to be further developed, validated and commercialised by partners. Each project responds to major sector challenges including pasture usage optimisation technologies that will help farmers to tackle sustainable agriculture production, pathways for novel technologies for pest management including significant pests of the almond industry and development and delivery of novel plant varieties and technologies, including a new potato variety, lentil and field peas, safflower, medicinal cannabis and wheat varieties.

We are particularly pleased with the status of our 11 active investment projects, which are enabling technology proof of concept and commercial advancement of novel technologies, delivery of product innovations to farmers and generating financial returns which will be used for new investment opportunities. The success of our innovations in the marketplace provided the revenue flows and cash reserves to enable continued strategic investments across our portfolio.

We were delighted to support the launch of the PastureSmarts web application tool (PastureSmarts) in May 2024, in conjunction with AVR, Dairy Australia and the Gardiner Foundation. This project provides cutting edge technology which saves dairy farmers time and money by optimising use of pasture on their own farms and reduces reliance on costly supplementary feed. We also incorporated a new subsidiary to commercialise PastureSmarts to deliver the technology to dairy farmers and ensure maximum value is returned to the Victorian economy.

Seed investment commenced in pheromone technology to accelerate delivery of world-leading biopesticides for Victoria's burgeoning almond industry. This platform has the potential to significantly enhance profitability for our almond industry in a landscape where the impact of crop pests is increasing.

Alongside this period of evolution, we also maintained our core services, exceeding objectives and delivering a net operating result for the consolidated entity of $4.9 million (2023: $2.4 million) and a net result of $5.7 million (2023: $3.9 million).

To support the continued evolution and impact of AVS, Ms Michelle Goldsmith was appointed as Chief Executive Officer in late 2023 following the resignation of Mr David Liesegang in June 2023. Board directors Dr Richard Aldous and Dr Jan Tennent retired at the end of their terms having made significant contributions. We welcomed new directors Ms Dianne Angus and Mr Geoff Harry to the board in November 2023.

The success of AVS is underpinned by the innovative and world-leading work of AVR. The partnership between the organisations is strong, with AVS having worked closely with the AVR leadership team across almost every area of AVR's research portfolio this financial year. We look forward to continued success in our shared goals of delivering impactful agricultural innovations for economic growth.

Finally, we wish to thank the AVS staff for their commitment and performance throughout the reporting period and express our gratitude to the many AVS partners for their support and enthusiasm. We look forward to building on the strong foundations of AVS during the coming year and proceeding to 'Grow' our impact for the benefit of Victoria.

Sam Andersen
Chairperson

Michelle Goldsmith
Chief Executive Officer

2023–2024 highlights

51
patent families held in
32
countries

1
new investment to benefit the dairy industry

1
new subsidiary incorporated

11
active investment projects, generating returns of $5.93M

About us

AVS is responsible for protecting and commercialising technologies created by AVR.

A private company incorporated under the *Corporations Act 2001* (Cth), AVS holds a significant IP portfolio and seeks to create value on behalf of the State and industry and commercial partners. AVS is self-funded and relies on service fees and investment income to support operations and ensure ongoing viability. We lead the commercialisation of AVR research and innovation (R&I) consistent with the values and behaviours expected by the community and those outlined in the Victorian Public Sector Values and Code of Conduct.

Our activities benefit Victoria's agricultural industry and economy through the commercial application of R&I outcomes.

Field Pea Flowers in Glasshouse
Credit: Agriculture Victoria

Our purpose

AVS maximises the impact and reach of Victoria's agricultural research by accelerating the time from discovery to application. We do this through:

Our activities

Intellectual Property (IP)

AVS holds a range of IP and intellectual capital assets which have been generated by AVR. We seek to protect, commercialise and deliver these inventions for the benefit of the agricultural industry and to amplify their economic value for Victoria.

Our IP portfolio spans transformational bioscience tools which are of value to the dairy, grains, red meat, horticulture and emerging agricultural industries in Victoria. We protect these assets for future use through patents, plant breeder's rights and trade mark filings.

Our portfolio

Patents

AVS holds 51 patent families in 32 countries. Over 75% of the portfolio is currently in use for research, industry or commercial benefit. Our portfolio represents innovations related to key and emerging agricultural areas including:

- Genetic improvement of plant and animal species important to Victoria, including technologies for accelerated precision breeding of crops and livestock
- Medicinal cannabis breeding technologies, including methods of analysing cannabinoid and terpene content and methods of selecting plants with desired traits for breeding
- Pest and disease management, including fungal and bacterial endophytes, entomopathogenic fungi and bioactive compounds
- Novel 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 agriculture innovations for effective crop and pasture measurement and management, including sensor and software technologies for improved efficiencies on farm and across supply chains
- Sensor innovations which have application in horticultural fumigation.

To ensure that our IP portfolio remains robust and well-managed, during the reporting period an independent review of the AVS patent portfolio was initiated. While still in progress, the review has already identified a number of aging filings that are not in use, or no longer have a clear path to impact or effective commercialisation. As a result, the number of patent families held has been reduced.

Provisional patent applications

Six new provisional patent applications were lodged during the reporting period to secure protection for innovations arising from the research of AVR. These inventions have significance for key agricultural sectors within Victoria, including improving sustainability and productivity of the almond industry, protecting export and imports from pests, optimising pasture management, decreasing reliance on chemical fertilisers and chemical fungicides.

Patents granted

During the reporting period, 3 patent applications were granted in Australia relating to novel forage endophytes with the ability to enhance livestock production.

Six IP assets were granted in overseas countries to extend protection to relevant markets and maximise value for Victoria.

Table 1: Patents granted 2023–24

Topic	Title	Region
Methods of characterising and selecting a beneficial fungus for inoculation into a host plant	Methods of characterising endophytes	Australia
Artificial constructs that include nucleic acids which encode for the biosynthesis of a toxin in endophytes	Metabolite production in endophytes	Australia
Novel NEA endophytes for enhanced livestock production	Novel endophytes	Australia
Enhanced forage quality for the benefit of livestock industries	Modification of fructan biosynthesis, increasing plant biomass, and enhancing productivity of biochemical pathways in plants	Brazil
New biological products for sustainable crop production	Method for large scale generation of artificial seeds comprising symbiota	Brazil
Novel forage endophytes for enhanced livestock production	*Brachiaria* endophytes and related methods	United States Brazil
	Metabolite production in endophytes	Europe
	Novel endophytes	New Zealand
Novel biomolecules for animal and human nutrition	Angiogenin expression in plants	United States

Plant breeder's rights

Plant breeder's rights provide exclusive commercial rights for a registered variety of plant which is novel, distinguishable, uniform and stable. AVS holds a significant portfolio of plant breeder's rights related to new varieties bred by AVR, including varieties of canola, wheat, barley, field peas, lentils, chickpeas, fungal endophytes, pears, peaches, potatoes and medicinal cannabis.

During the reporting period, AVS applied for 2 plant breeder's rights applications relating to a new lentil (*Lens culinaris*) variety and a new field pea (*Pisum sativum L.*) variety. Both of these applications were accepted during the reporting period.

Trade marks

Trade marks provide protection for unique brands, products and services. AVS holds 54 trade marks related to its assets and AVR's core research portfolios.

AVS filed three trade mark applications that were accepted in Australia during the reporting period, relating to an online product for genomic calculators (BayesR3 logo), a digital agriculture innovation (Lightspeed logo) and the collaborative dairy research program DairyBio.

Four international trade marks were accepted or registered, which related to digital agriculture innovations, Safflower innovations, and the DiaryBio and DairyFeedbase programs.

Two trade marks were abandoned, one relating to genetic transformation systems in wheat and the other a digital devices for measuring growth of crops.

While most of the trade marks held by AVS are lodged in Australia, where international coverage is considered to be prudent trade marks have also been lodged in relevant geographic markets. AVS holds trade marks registered in Europe, New Zealand, United States, Argentina, Thailand, Brazil, Philippines, United Kingdom, Uruguay, Indonesia, China, Canada, Israel, Japan, Malaysia, Singapore, South Korea, Turkey and Vietnam.

Domain Names

Domain names are a valuable asset which allow businesses, products or innovations to be easily found in a global marketplace. 62 domain names were maintained during the reporting period to support AVS IP assets and AVR core research portfolios.

Image 1: Geographic representation of our IP portfolio

Blush Pears
Credit: Agriculture Victoria

Commercial technology licences

AVS commercialises IP and intellectual capital assets to maximise impact and economic value. AVS signed 15 agreements which enable us to support the commercialisation of the world-leading research of AVR through the pipeline of validation, launch and ultimately market uptake.

Maximising impact of agricultural innovations

Digital tools to optimise use of pasture for increased dairy farm productivity

PastureSmarts is a digital application that allows dairy farmers to monitor, estimate current and future pasture biomass in the paddock and optimise the use of on-farm pasture. Developed by AVR, Dairy Australia and the Gardiner Foundation, jointly known as the DairyFeedbasePartners, AVS is commercialising the product on behalf of these partners.
To support further growth, AVS has established SmartSense Agtech Pty Ltd, a dedicated start-up subsidiary which will ensure maximum value is realised from the technology suite.

Biolures for improved pest management for the almond industry

A collaborative project has resulted in the development of a pheromone-based biolure trapping system which has been demonstrated to target *Carpophilus truncatus* beetle with a high level of specificity. A significant pest for multiple growing regions of the Australian almond industry, *C. truncatus* is responsible for an average 5 – 10% crop loss with an estimated economic value of $120 million each year.

The biolure trapping system was developed by AVR in collaboration with Horticulture Innovation Australia Limited and the Australian almond industry. Commercialisation of this innovative technology will be managed by AVS in collaboration with Horticulture Innovation Australia Limited. The technology has the potential to allow effective monitoring of the pest as well as providing the Australian almond industry with the ability to implement integrated pest management solutions which can both reduce kernel damage and reduce pesticide use.

New potato variety licensed for the Australian potato industry

AVS has licenced a new potato variety to an Australian and global food processor following extensive agronomic performance evaluations over a number of years. The new variety has exhibited good processing qualities and produces a high yield of consistent size and shaped tubers. The variety is now in the final stages of commercial pilot processing evaluation.

Products to manage livestock and mitigate methane emissions for the Australian dairy industry

AVS enabled a number of R&I projects to be undertaken between AVR and commercial entities to evaluate ruminant feed formulations and their potential to mitigate methane emissions in both laboratory and real-world settings. These projects involve the development of new feeds and feed additives which will enable dairy farms to achieve reduction of on farm emissions from animals while maintaining or improving productivity. Research and evaluation of new livestock management technologies for remote herd management have also been enabled.

New strains for the Australian medicinal cannabis industry

AVS entered into a commercial agreement with an Australian medicinal cannabis company to facilitate the commercial production of a pipeline of improved and novel cannabis strains. The project leverages elite strains developed through a collaborative breeding program and has the potential to lead to development of novel medicinal products for healthcare purposes.

Renewed (extended) licence agreements

AVS entered into several renewed licence agreements during the reporting period to extend the licence period enabling continued commercial production, evaluation or development of existing technologies. These included commercial production of high-yielding imidazolinone-tolerant lentil varieties and of high-yielding pea varieties, both of which have benefit to Australian grain growers, as well as commercial evaluation and development in South America of genetically modified wheat with traits that improve biomass production.

Almonds in bloom with residual crop
Credit: Agriculture Victoria

Canola fields
Credit: Anne Morely

Technology investment

AVS seeks to identify, assess and manage investments which accelerate the impact of AVR innovations and to deliver commercial revenues as a result of investment. We deliver economic benefit for Victoria by increasing productivity of our farmers as well as deriving royalties from our IP. We balance risk and reward and seek diversity in our overall investment portfolio in order to deliver positive and sustained financial returns.

The AVS investment fund is used to support further translation, reach and commercialisation of our IP portfolio. As at 30 June 2024, the fund had 11 active investment projects under management. Four of these projects have generated products that are commercially available in the market. Seven of these projects are in the research stage. As part of responsible management of our investment fund, one project was discontinued following a technical review and reassessment of the potential path to market. One new project was approved for funding during the reporting period.

Table 2: Summary of investment projects

Project	Stage	Stage change in 2023–24
Primary Oilseeds	In market	No change
AVS HOLL Canola	In market	No change
Herbicide-Tolerant Barley	In market	No change
Herbicide-Tolerant Lentils	In market	No change
SmartSense Agtech – PastureSmarts	Research	New investment approved
Microbiomes (combined Endophyte and Medicinal Cannabis Microbiomes)	Research	2 investments combined into 1 project
Optimal Haploid Value Russian Wheat Aphid Resistant Wheat	Research	No change
Genome-Edited Forages and Wheat	Research	No change
Optimal Haploid Value Blackleg-Resistant Canola	Research	No change
Phytogene Pty Ltd	Research	No change
Medicinal Cannabis Genetics (CannBio®)	Research	No change
SaffBio	Research	Discontinued

Investing in PastureSmarts

PastureSmarts enables optimisation of day-to-day farm pasture management and paddock productivity by automating measurement of pasture quantity and predicting pasture production. This innovative solution provides farmers with the ability to improve pasture management and reduce operating costs related to supplementary feed which can be as much as 60-80% of annual on-farm variable costs.

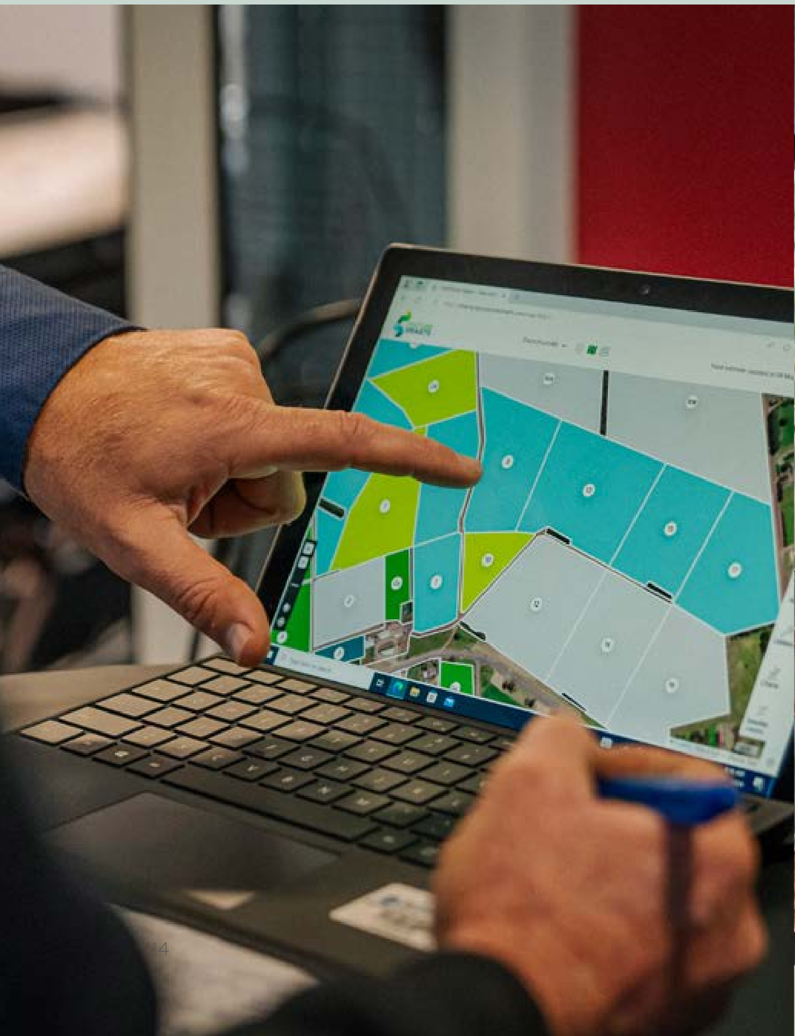
AVS has supported the development of PastureSmarts through incubation investment, amplifying previous investment in the research and development phase. This included evaluation of the underlying predictive model, development of the minimum viable product software application, and initial user testing by farmers.

Looking to the future, AVS approved a new investment during the period to support the next phase of commercialisation of PastureSmarts. This aims to ensure successful delivery of a solution that delivers tangible benefits to farmers, as well as generating return on the government and partner investments committed to date.

"PastureSmarts is a breakthrough app enabling farmers to remotely optimise pasture productivity, turning research into tangible on-farm innovation. It's essential to improve dairy farm productivity and sustain a vibrant dairy sector."

Allan Cameron
Chief Executive Officer
Gardiner Foundation

Signing of the PastureSmarts agreement with Simone Warner (Head AVR), Sam Anderson (AVS Board Chair), Allan Cameron (Gardiner Foundation CEO) and David Nation (Managing Director, Dairy Australia).



Impact of our investments – Products in market

Primary Oilseeds

Primary Oilseeds has delivered elite Brassica napus (canola) varieties through 3 genetic trait pipelines: conventional canola varieties, triazine-herbicide-tolerant canola varieties, and imidazolinone-herbicide-tolerant canola parental lines.

The project has achieved success in developing viable, commercial canola breeding capacity in the private sector, generating financial returns to AVS and its co-licensor partners. Ongoing demand for canola seed during the reporting period further extended the commercial life of the Primary Oilseed varieties.

AVS HOLL Canola

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

Herbicide-Tolerant Barley

AVS' imidazolinone-tolerant barley has benefits in grain quality, malting qualities, excellent yield potential, improved options for grass weed control and increased flexibility in managing crop rotations where residues of imidazolinone Group 2 herbicides are already present. Herbicide-tolerant barley varieties continue to hold high market share and grower support in the Australian market.

Herbicide-Tolerant Lentils

The AVS Herbicide tolerant lentils investment project continues to deliver new, high-yielding lentil varieties with excellent disease resistance and tolerance to the 'IMI' Group B herbicides. AVS' herbicide tolerant lentils continue to be a dominant player in the market due to their benefits which include increased options for integrated weed management and increased cropping margins.

Investing to accelerate impact

Novel microbiomes for crop improvements

AVS holds 2 investments which have delivered a collection of novel microbes isolated from medicinal cannabis and seed-associated microbes isolated from wheat and Australian wild relatives of soybeans. These 2 investments have been combined and are being managed as a single project.

The collection of microbes show potential applications for crop improvement including enhanced performance in biopesticide, biofertilising and biostimulant applications. The novel bacterial strains have the potential to increase productivity in high value broad acre or horticultural crops.

AVS is supporting extensive glasshouse evaluation trials to further demonstrate the potential of the collection in the coming year, with the expectation that suitable candidates will be available for licencing for commercial evaluation in Australia, potentially within the next 3 years.

Optimal Haploid Value Russian Wheat Aphid Resistant Wheat

AVS has developed new wheat genetics with resistance to Russian wheat aphid, a major insect pest of wheat crops worldwide, which causes high economic losses through yield reduction. This research by AVR has the potential to simultaneously increase genetic gain for yield, provide rust disease resistance and other key breeding traits of importance.

The germplasm developed under this project is currently available to interested Australian commercial wheat breeding companies who wish to conduct pre-commercial technical and field evaluation.

Genome-Edited Forages and Wheat

The genome edited forage project has created low lignin perennial ryegrass events, using zinc finger endonucleases, which enhance pasture digestibility and metabolizable energy, with potential benefits to dairy and meat productivity.

Optimal Haploid Value Blackleg-Resistant Canola

AVS has developed canola germplasm with blackleg disease resistance, the most common and serious disease affecting canola globally. The germplasm developed under this project is now available to interested Australian commercial canola breeding companies who wish to conduct pre-commercial technical and field evaluation.

Phytogene Pty Ltd (AVS wholly owned subsidiary)

Phytogene's current focus is on commercialising 2 transgenic technologies that have the potential to add value by increasing yield in crops without increasing inputs such as fertiliser and water. Currently in research phase, one of the technologies LXR® has the potential to provide yield enhancement and drought resistance benefits, while the second BET® technology seeks to increase metabolisable energy and digestibility.

Phytogene has reviewed the findings from licensee trials of a third technology comprising three trait technologies – LXR® (for yield enhancement), AMV (for alfalfa mosaic virus resistance) and OA (for aluminium tolerance in acidic soils) – and determined that the technology is not viable and is unlikely to proceed further.

Medicinal Cannabis Genetics (CannBio®)

The CannBio® project has developed a diverse catalogue of propriety medicinal cannabis strains supporting this emerging bioindustry in alignment with the Victorian Government's Developing a medicinal cannabis industry in Victoria 2018-2021 industry plan. The strains are available for licencing to suitably authorised companies who seek to evaluate, grow and extract medicinal cannabis products for domestic and export markets.

Genomic selection and accelerated breeding tools have also been developed and validated. These are available for deployment to medicinal cannabis companies who can deliver bespoke strains and medicinal products for the benefits of patients.

Maximus CL barley, York, WA
Credit: Shannen Barrett, InterGrain

Commercial research

AVS supports the commercial R&I collaborations of AVR, seeking to leverage and grow partnerships to realise greater value and impact. We do this by providing services which ensure an effective commercial interface between AVR and collaborators within the private sector, and ensuring that the commercial risks of collaborations are carefully assessed, balanced and managed. We provide expertise in the negotiation of commercial research agreements and ongoing support throughout the terms of the agreements. When commercial joint ventures are established between AVR and other parties, we ensure these are well supported to minimise risks and maximise benefits.

Provision of services

AVS provides advice to AVR on commercial and IP-related matters, including formulation, negotiation and contracting of collaborative research agreements, technical service agreements, material transfer agreements, research subcontracts, fee-for-service agreements, confidentiality agreements, variations and memoranda of understanding.

We also assist AVR and its key stakeholders through the provision of specialist advice in relation to Commonwealth funding agency agreements, rural industry research and development corporation agreements and other forms of funding.

"Collaboration between Agriculture Victoria Research and Agriculture Victoria Services is essential to our joint objective of delivering innovation to Victorian farmers. Over the past twelve months the two organisations have worked closely on a number of exciting projects. I have been particularly pleased by the proactive way that AVR and AVS are engaging to maximise our collective impact profile and look forward to seeing benefits realised for the State of Victoria."

Dr Simone Warner
Head Agriculture Victoria Research

Commercial research agreements

During the reporting period AVS negotiated and brought into effect 34 technical service agreements between AVR and industry partners. These included:

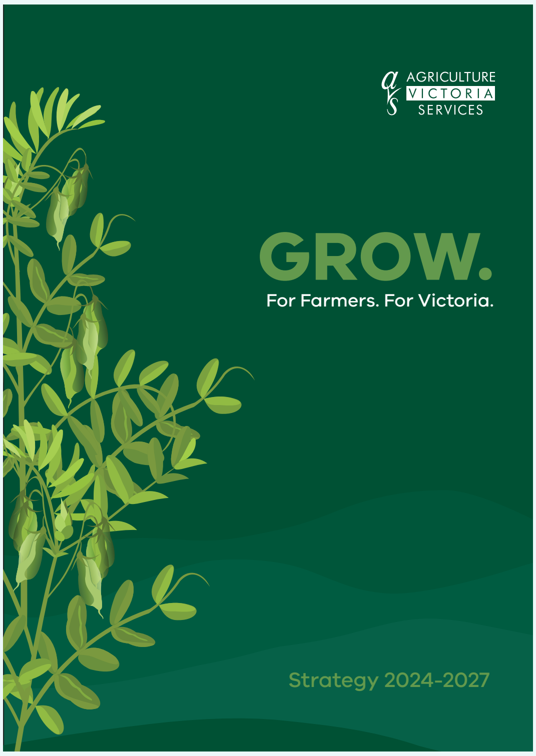
- Genomic prediction services and testing of elite lines for quality traits for Australian and international grain breeding companies and research organisations
- Methane emissions and analysis of a range of diets and feed supplements for dairy cattle
- Forage grass endophyte diagnostics including strain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

Growing our impact

The AVS Corporate Strategy 2021–24 set out key objectives to enhance commercialisation, support job creation and capture global opportunities for Victorian scientific capabilities and innovations. The strategy has guided our activities and ensured that we end the reporting period with a robust and balanced portfolio of innovations which are delivering returns that have exceeded budgeted projections.

To support future growth, AVS conducted a strategic review, including consultation with stakeholders during the reporting period. A refreshed AVS Strategy 2024-27 has now been developed and that will drive the focus of our efforts to ensure continued impact for Victorian agriculture. The new strategy is available at www.agvicservices.com.au.

The strategy recognises the compelling rationale for Victoria to develop and grow export markets, maintain food security and secure an improved quality of life for farmers. It responds to the significant global and regional challenges facing agriculture including climate change, geopolitical uncertainty and trade disruptions, and changing customer demands. It sets out how we will seek to amplify and grow the value generated by the Victorian Government's investment in research by ensuring it is translated into products and services that deliver economic, environmental and societal impact.



Governance

Board of Directors

AVS is a private company incorporated under the Corporations Act 2001. The Government of Victoria beneficially owns 100% of AVS's issued capital which is held by the Secretary of DEECA in the capacity of officeholder and an agent of the Crown. The Victorian Minister for Agriculture appoints AVS's 6 non-executive directors to a skill-based board in accordance with Victorian Government guidelines. The directors of AVS are responsible for the governance of AVS and its subsidiaries.

Directors Dr Richard Aldous and Dr Jan Tennent retired during the reporting period having reached the end of their appointed terms in October 2023. New directors Ms Dianne Angus and Mr Geoff Harry were appointed to the board in November 2023.

The Board of Directors as at 30 June 2024 is presented below.

Back row (standing left to right): Richard Jagger, Geoff Harry
Front row (standing left to right): Sam Andersen, Dr Amanda Caples, Jane Perrier, Dianne Angus

Ms 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 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 VicRoads (Registration and Licensing and Custom Plates Concessions) Group of Entities and Secure Electronic Registry Services Pty Ltd.

Dianne Angus
BSc (Ed), BSc (Hons), M.Biotech, GDipIPLaw
(Registered Patent and Trade Mark Attorney)
Appointed as Director November 2023

Dianne joined the AVS Board in November 2023 and is a member of the AVS Audit and Risk Management Committee.

Dianne brings extensive executive and directorial experience in the life sciences sector across public and private companies in biotechnology, biopharmaceutical, agritech and healthcare.

Dianne has held executive and director roles in a number of ASX and NASDAQ-listed companies and is currently Chair of Argenica Therapeutics Ltd (ASX:AGN), Non-Executive director of Neuren Pharmaceuticals Ltd (ASX: NEU) and Cyclopharm Ltd (ASX: CYC), serving on the Audit and Risk committee and Remuneration and Nominations committee of both companies. Dianne is a council member of Deakin University and serves on its Finance and Business Affairs committee.

Dianne holds a Master of Biotechnology, Bachelor of Science (Hons), and a Graduate Diploma of Intellectual Property (IP) Law. She is a registered patent attorney and a member of Australian Institute of Company Directors (AICD).

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

Amanda is Victoria's Lead Scientist, a role that aligns and connects Victoria's science, technology and innovation capability with business needs and with government's economic development activities.

Amanda is Chair of mRNA Victoria's Scientific Advisory Group and Chair of the Victorian Quantum Technology Network.

Amanda has led the development of industry and science and innovation policy in Victoria since joining the Victorian Public Service in 2002 as the inaugural Director of Biotechnology. During this time, she has delivered major policy reforms, a range of programs and global partnerships, and landmark initiatives including the Victorian Comprehensive Cancer Centre.

Amanda is experienced in clinical trials, regulatory affairs, business development and licensing through prior roles with international pharmaceutical and biotechnology companies.

Geoff Harry
B Econ ICA, CPA
Appointed as Director November 2023

Geoff Harry joined the AVS Board in November 2023 and prior to that was an independent member of the Audit and Risk Management Committee since January 2018. As a board member, Geoff continues his role as Chair of the Audit and Risk Management Committee.

Geoff was a partner at PwC in Melbourne for 25 years, specialising in delivery of a broad range of risk and assurance services to a diverse group of clients in both the government and private sectors. He retired from that role in 2006. Since then he has held various senior executive positions including as Chief Risk and Assurance Officer at Fortescue Group and Jemena and as CFO at Goulburn Murray Water. Geoff holds several board and Audit and Risk Committee appointments, for most of which he is Chair. These roles include the Department of Premier and Cabinet, Department of Government Services, Independent Broad Based Anti-Corruption Commission, Chisholm Institute, City of Melbourne and several other large local government authorities in Melbourne.

Geoff is a Chartered Accountant and Graduate Member of the Australian Institute of Company Directors.

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

Richard Jagger joined the AVS Board in 2021, is a member of the AVS Audit and Risk Management Committee and the Chair of the AVS subsidiary SmartSense Agtech that was incorporated in April 2024.

Richard was until recently 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 2 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.

Jane Perrier
BA, LLB, MBA, GAICD, Registered Trade Mark Attorney.

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

Jane has broad experience advising and collaborating with boards, senior leaders, government agencies, regulatory and industry bodies on issues relating to innovation, technology, IP, data and commercialisation. She currently leads the consultancy practice of Davies Collison Cave (DCC), helping clients leverage value and mitigate risks associated with intangible assets at an enterprise level. Jane is also a member of the Law Council of Australia's IP Committee.

Jane is the former General Counsel, IP, and Special Counsel Technology, Innovation and IP for Telstra Limited. In 2019 (after leaving Telstra) Jane co-founded a joint venture start-up with Davies Collison Cave's (then ASX listed) parent, Qantm Intellectual Property Limited. The start-up was subsequently rolled into DCC. Jane is a former appointee and consultant to the federal government's former Advisory Council on Intellectual Property (ACIP). She is also a former non-executive Director and Company Secretary of Crime Stoppers Victoria, and a former board member and advisor to the Chief Commissioner of Victoria Police on the board of the Victoria Police Blue Ribbon Foundation.

Board committees

Audit and Risk Management Committee

The board is assisted in its duties through the Audit and Risk Management Committee which reviews and reports to the board on the annual report and audit matters, assists in review of internal control environment including operations, reliability and integrity of reporting systems, compliance with applicable laws and regulators, fraud and control policies, determines the scope of the internal audit function and ensures coordination with external auditors and oversees the effective operation of the risk management framework. The Committee regularly reviews policies, procedures and guidelines and has adopted the Victorian Government Risk Management Framework.

The Audit and Risk Management Committee is comprised solely of Non-executive Directors and is assisted by HLB Mann Judd Pty Ltd who act as the Company's internal auditor. The committee met 4 times during 2023–24.

Financial Management 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 requirements of the Standing Directions on a voluntary basis. The following attestation is made in the context of this voluntary compliance.

I, Michelle Goldsmith, 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.

Ms Michelle Goldsmith
Chief Executive Officer
Agriculture Victoria Services Pty Ltd
30 August 2024

Our people

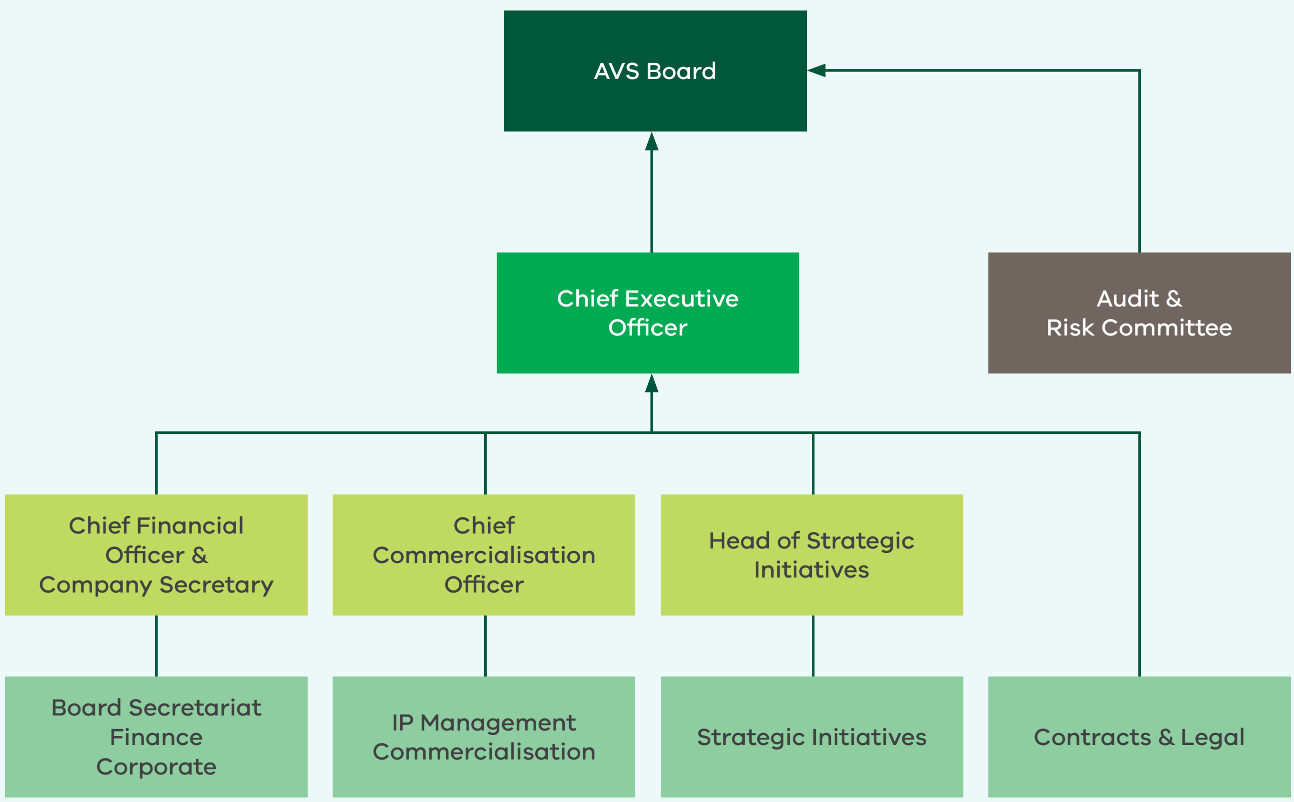
AVS delivers on its purpose with the support of a management team with functions in finance and corporate, IP management and commercialisation, contracts and legal, and strategic initiatives. Ms Michelle Goldsmith was appointed as Chief Executive Officer in November 2023, following the departure of the former CEO in June 2023. Her career in the innovation and commercialisation eco-system has spanned a range of executive level business development, policy, operational and commercialisation roles in both private and government sectors. During the recruitment process, Mr Shane Cagney and Ms Jane Banovac acted as interim CEOs. In April 2024, Ms Natasha Twigg was appointed to the newly created executive position of Head of Strategic Initiatives, with responsibility for identifying and delivering on opportunities for growth.

The AVS team has niche capabilities in agtech commercialisation, capital raising, IP management, investment portfolio management, advocacy and strategic planning. Strong relationships within the sector are key to achieving impact, and our many partners have made strong collaborative contributions during the reporting period.

The AVS core values are:

- We make a difference
- We work well together
- We act with integrity
- We understand and adapt to change.

Organisational structure



Employment principles

The *Public Administration Act 2004 (Vic)* established the Victorian Public Sector Commission. The Commission's role is to strengthen public sector efficiency, effectiveness and capability, as well as advocate for public sector professionalism and integrity. AVS has adopted a range of policies and practices which are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. AVS also advises its employees on how to avoid conflicts of interest, how to respond to offers of gifts and how the Company deals with related misconduct.

AVS is committed to applying merit, diversity and equity principles when appointing staff. Our selection processes ensure that applicants are assessed and evaluated fairly and equitably based on the key selection criteria and other accountabilities without discrimination.

Occupational health and safety

AVS is committed to minimising or eliminating as far as practicable risks to the safety and wellbeing of employees, contractors and any other person performing work for, or on premises controlled by AVS. To achieve this, the Board approved Safety and Wellbeing Management system consists of a continuous improvement process, risk management framework, and a range of policies, procedures and guidelines.

During the reporting period, AVS undertook several health, wellbeing and safety focused initiatives including quarterly safety audits to identify and address potential workplace risks. AVS staff and their immediate family members have access to an employee assistance program.

Financial summary

Summary

This section provides a 5-year financial summary and review of the consolidated 2023–24 financial year. Full financial performance details for the 2023–24 year are shown in the accompanying audited consolidated annual financial report.

Table 3: Five-year financial summary ($ thousands)

Five-year financial summary	2023–24	2022–23	2021–22	2020–21	2019–20
Total revenue and income from transactions	24,744	24,190	24,083	25,244	22,699
Total expenses from transactions	(19,865)	(21,765)	(21,671)	(22,917)	(21,291)
Net operating result from transactions	**4,879**	**2,425**	**2,412**	**2,327**	**1,408**
Gain/(loss) on balance sheet items	816	1,466	(2,751)	554	(8)
Net result for the period	**5,695**	**3,891**	**(339)**	**2,881**	**1,400**
Net cash flows from operating activities	13,250	2,985	(3,164)	9,151	(4,114)
Total assets	66,006	54,886	48,508	54,387	43,606
Total liabilities	(21,526)	(16,101)	(13,614)	(19,155)	(11,254)
Net assets	**44,480**	**38,785**	**34,894**	**35,233**	**32,352**

Key factors impacting improved financial results

- **Net operating result from transactions** for 2023–24 of $4.88 million is a significant increase over the prior year flowing from an increase in AVS net royalty revenue of $1.17 million and an increase of $1.45 million from interest earned from cash and distributions from the Victorian Funds Management Corporation (VFMC) managed funds.
- **Net result for the period** for 2023–24 is higher than 2022-23 and is attributable to the increased net operating result from transactions and the increase to the market value of the VFMC managed funds.
- **Net cash flows from operating activities** for 2023–24 was $13.25 million (2023: $2.99 million). The increase in the cash flow from operations reflects increased profitability and the timing of receivables and payables.
- **Net assets or net worth** has increased by $5.695 million, in line with the net result for the period.

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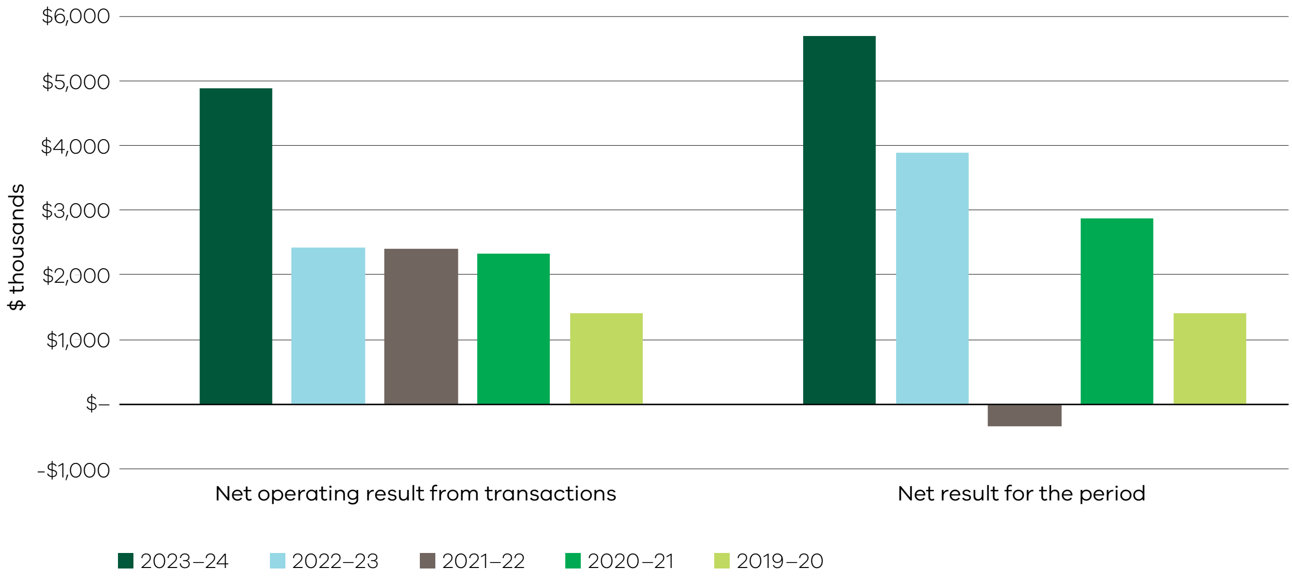
Figure 1: Net operating and net result 5-year summary

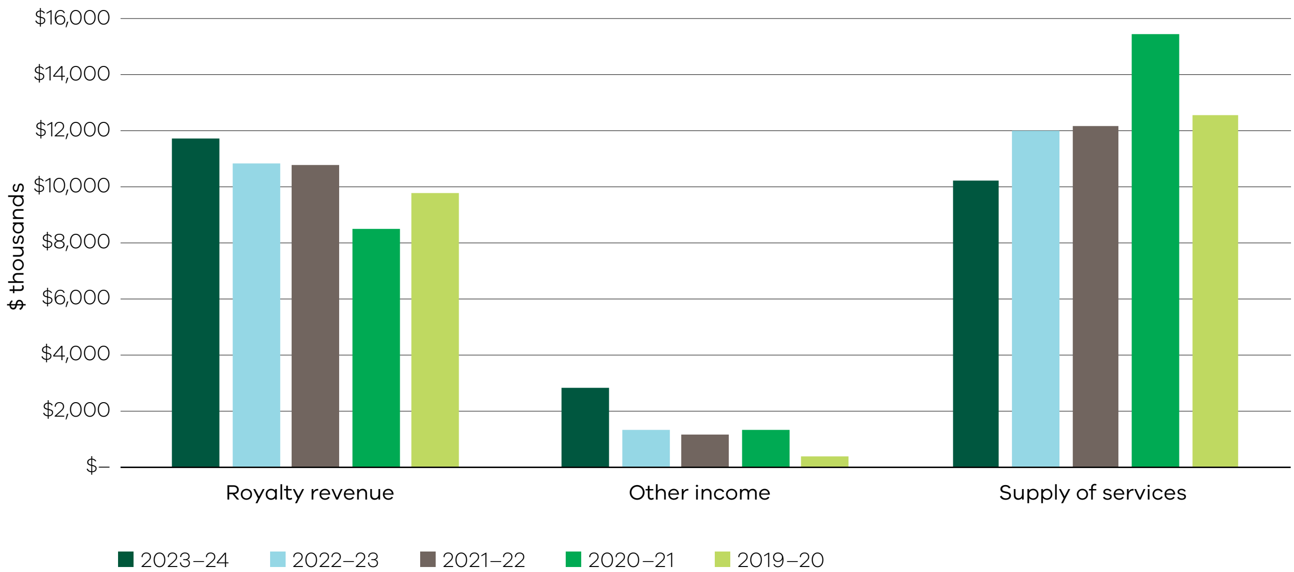


Revenue and income from transactions

Revenue and income from transactions have been relatively consistent over the last five years averaging $24.2 million per annum.

The graph below shows the 5-year total revenue and income from transactions.

Figure 2: Total revenue and income by category 5-year summary



Financial summary continued

Royalty revenue is the gross royalty revenue earned from the commercialisation of AVR IP assets and prior to any distributions paid to IP co-owners and partners (including AVR). Royalty revenue of $11.71 million in 2023–24 is an increase of $0.88 million over 2022-23.

AVS net royalty revenue is retained by AVS following distributions paid to IP co-owners and partners (including AVR). Net royalty revenue of $5.93 million in 2023–24 is an increase of $1.17 million over 2022-23 as further described below.

Table 4: Net royalty revenue components ($ thousands)

Net royalty revenue	Details	2023–24	2022–23	Variance	
				$	%
Royalty revenue	Gross royalty revenue prior to distributions	$ 11,714	$ 10,838	$ 876	8.1%
Royalty expenses	Distributions to IP partners (including AVR)	($ 5,781)	($ 6,076)	$ 295	(4.9%)
AVS Net royalty revenue		$ 5,933	$ 4,762	$ 1,171	24.6%

Other income includes interest received on cash and distributions from VFMC managed funds. Other income of $2.81 million in 2023–24 is an increase of $1.45 million or 107% over 2022-23 ($1.36 million).

Supply of services revenue represents fees received for industry contracted research revenue (AVS as agent for AVR), the provision of services to AVR and the recoupment of AVR expenses such as patent and legal fees arising from AVS agency services. Supply of services revenue of $10.22 million in 2023–24 is a decrease of $1.77 million over 2022-23. The supply of services revenue and the relationship with contracted agency research expenses is summarised below.

Table 5: Supply of services components ($ thousands)

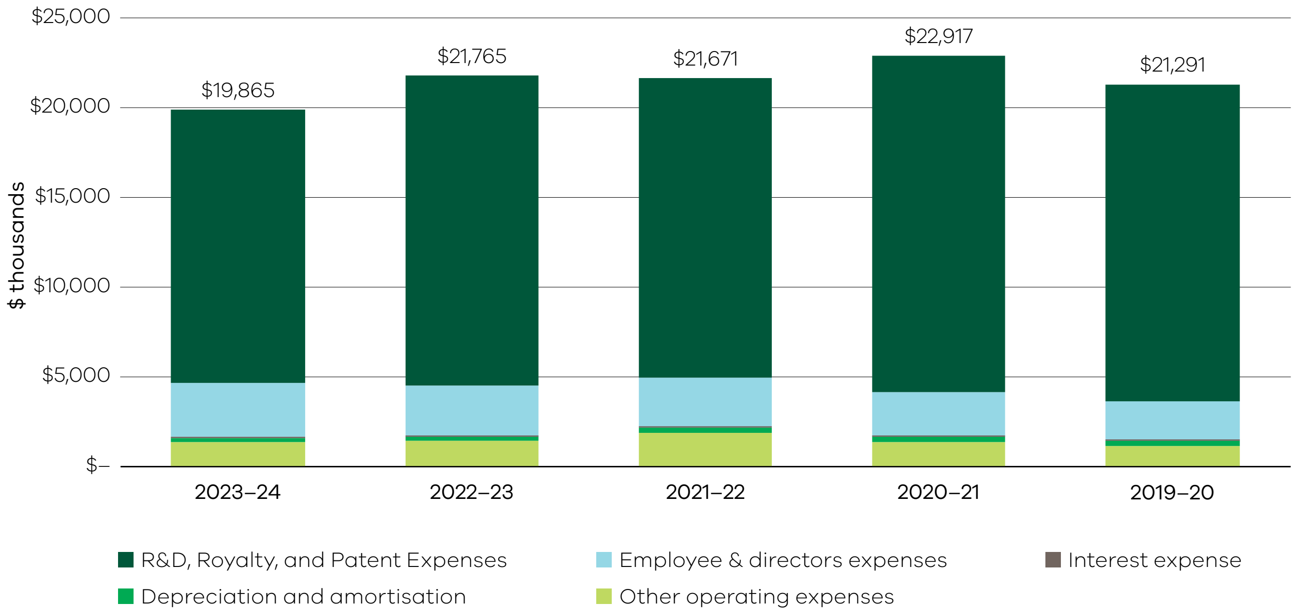
Net royalty revenue	Details	2023–24	2022–23	Variance	
				$	%
Contracted agency research revenue	Matches with Contracted agency research expenses	$ 7,646	$ 9,236	($ 1,590)	(17.2%)
Recoverable expenses	Patent, legal and project recoveries	$ 567	$ 750	($ 183)	(24.4%)
AVS Agency fees	Agency revenue for supply of services	$ 2,007	$ 2,007	-	0.0%
Total Supply of services		$ 10,220	$ 11,993	($ 1,773)	(14.8%)

Financial summary continued

Expenses from transactions

Total expenses from transactions have been relatively consistent over the 4 years preceding the reporting period. The 2023–24 reporting period sees a decrease of $1.9 million or 8.7% on 2022-23, attributable to a decrease in industry contracted R&D and patent costs.

Figure 3: Total expenses from transactions 5-year summary

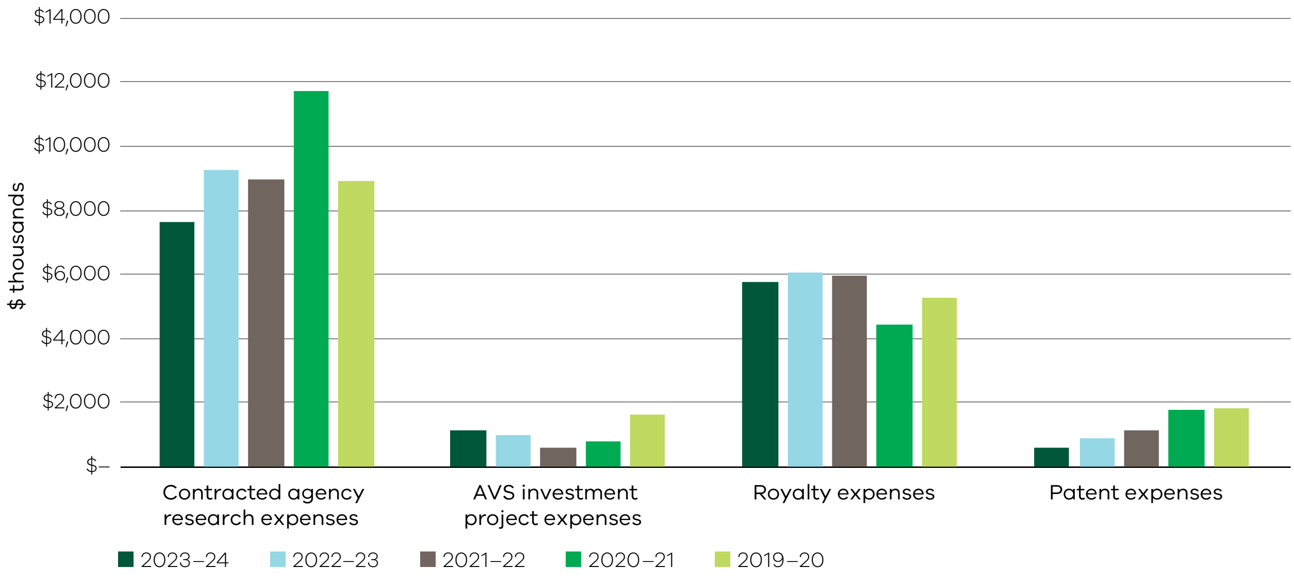


Financial summary continued

Research and development, royalty and patent expenses

R&D, royalty and patent expenses are the largest expense line item in the Comprehensive Operating Statement. The graph below shows the R&D, royalty and patent expenses over the last 5 years.

Figure 4: R&D, royalty and patent expenses 5-year summary



Contracted agency research expenses comprise industry contracted research where AVS acts as agent for AVR, the 2023–24 expense of $7.65 million was a decrease of $1.60 million, or 17.2%, below last year (2023: $9.24 million).

AVS investment project expenses represents expenditure to progress commercial development and market uptake of AVR research innovations. The 2023–24 research expenses of $1.15 million is an increase of $0.18 million or 18.8% above 2022-23 ($0.97 million).

Royalty expenses comprise the distribution of the royalty revenue share to AVS IP co-owners and partners including AVR. In 2023–24 $5.78 million was distributed, a decrease of $0.3 million or 4.9% compared to 2022-23 ($6.08 million).

Patent expenses represent IP registration and protection costs of IP assets. The 2023–24 expense of $0.61 million is a decrease of $0.30 million or 32.8% over 2022-23 ($0.91 million), following ongoing prioritisation and rationalisation of the IP portfolio.

Legislative framework

Corporations Act 2001 (Cth)

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

Public Administration Act 2004 (Vic)

The Act incorporates a set of values and principles to guide public administration and provides a framework designed to ensure effective and consistent governance across the entire Victorian public sector. The VPSC is established under the Act to support its administration and implementation. AVS is classified as a Public Entity under the Act and, by Order in Council dated 25 June 2013, became subject to divisions 2 and 3 of part 5 of the Act and the governance principles contained therein.

Financial Management Act 1994 (Vic)

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

Audit Act 1994 (Vic)

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

Privacy and Data Protection Act 2014 (Vic)

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

Public Interest Disclosures Act 2012 (Vic)

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

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

AVS does not tolerate improper conduct by employees, or the taking of reprisals against those who come forward to disclose such conduct. AVS is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures to reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

AVS take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure and has policies and procedures in place to provide guidance in these circumstances. Disclosures of improper conduct or detrimental action by AVS or any of its employees may be made directly to IBAC: the Public Interest Disclosures Policy and Procedures are available on the AVS website at www.agvicservices.com.au

Table 6: Disclosures under the Public Interest Disclosures Act 2012

Disclosures	2023–24	2022–23
	number	number
Number of disclosures made by an individual to IBAC – Assessable disclosures	Nil	Nil

Wheat harvesting
Credit: Shutterstock

Annual financial report 2023–24

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 2024 and the independent auditor's report thereon.

Directors

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

Director	Appointment term	2023–24 information
Ms Sam Andersen (Chair)	1 November 2016 to 31 May 2026	Ongoing during 2023–24
Dr Richard Aldous	1 November 2016 to 31 October 2023	Term concluded during 2023–24
Ms Dianne Angus	1 November 2023 to 31 May 2026	Appointed during 2023–24
Dr Amanda Caples	1 November 2016 to 31 May 2026	Reappointed during 2023–24
Mr Geoff Harry	1 November 2023 to 31 May 2026	Appointed during 2023–24
Mr Richard Jagger	1 July 2021 to 31 October 2024	Ongoing during 2023–24
Ms Jane Perrier	1 July 2021 to 31 October 2024	Ongoing during 2023–24
Dr Jan Tennent	1 August 2021 to 31 October 2023	Term concluded during 2023–24

Details of the directors during the financial year (including qualifications, experience, and membership of board sub-committees) are provided on page pages 21–25.

Company Secretary

The Company Secretary during the year was Mr Shane Cagney.

Directors' meetings

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

	Board of Directors			Committees of the Board of Directors		
	Full Board			Audit and Risk Management		
	New or retired director	Meetings attended	Meetings held	Meetings attended	Meetings held	Changes to Committee during the year
SD Andersen		6	6	2	2	Until 15 Dec 2023
D Angus	From 1 Nov 2023	3	4	1	2	From 15 Dec 2023
RTH Aldous	Until 31 Oct 2023	2	2	–	–	
A Caples		6	6	–	–	
GD Harry[(a)]	From 1 Nov 2023	4	4	4	4	Independent member until 1 Nov 2023
R Jagger		6	6	4	4	
J Perrier		6	6	3	4	
J Tennent	Until 31 Oct 2023	2	2	–	–	

Notes: (a) Mr GD Harry was the Chair & Independent Member of the Audit and Risk Committee prior to appointment as a Director on 1 Nov 2023.

Directors' report continued

Principal activities

During the year, the principal activities of AVS were:

- the provision of Intellectual Property (IP) strategy and management services to Agriculture Victoria Research
- the provision of IP commercialisation, collaboration and agency management services to Agriculture Victoria Research
- investment in Agriculture Victoria Research technologies and research outputs to enhance and accelerate impact for Victorian farmers.

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

Financial performance

The net operating result for the consolidated entity for the year was $4.9 million (2023: $2.4 million). The net result (after other economic flows) was a profit of $5.7 million (2023 profit of $3.9 million).

Operational performance

A comprehensive review of operations is provided on pages 6–19.

Significant changes in the state of affairs

Other than its decision in June 2024 to incorporate a new wholly owned subsidiary, SmartSense Agtech Pty Ltd (SSA), for the purpose of commercialising an investment from 2024-25, 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

After the balance sheet date the directors proposed a dividend of $47,596 for the year ended 30 June 2024 (2023: nil) (*subject to confirmation of the payment from DEECA*).

All issued share capital of the company is owned by the State of Victoria and therefore disclosures about the dividend per share and the income tax effect of the dividend are not required.

The financial effect of the proposed dividend has not been recognised in the consolidated annual financial report as the decision to declare the dividend was not made until after the end of the reporting period. The dividend will be recognised in the subsequent annual financial report.

The decision to declare the dividend was made pursuant to a directive by DEECA that all portfolio entities would need to pay an efficiency dividend measured as 1% of 2022-23 expenditures. The dividend of $47,596 noted above represents AVS's full response to that requirement.

Based on advice from the Department of Treasury & Finance (DTF), the basis of the calculation of the dividend excluded:

- Agency expenses that are contracts entered into on behalf of the Department and payable to AVR by the Group and royalty distributions made by the Group to licence partners including AVR,
- Direct investment into AVR to enable research required to underpin commercialisation of products and services and costs associated with managing those direct investments.

Events after reporting date

In the interval between the end of the financial year and the date of this report, the new wholly owned subsidiary, SmartSense Agtech Pty Ltd (SSA), commenced its trading activities. SSA was established to deliver the PastureSmarts technology to dairy farmers commencing in July 2024.

AVS committed to a 2024-25 equity investment of $1.7M in SSA. As at the date of this Directors Report, AVS has invested $0.85M in equity in SSA with a further $0.85M to be invested during the 2024-25 financial year. As the date of this report the convertible note documentation is in the process of finalisation.

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

Directors' report continued

Likely developments

The consolidated entity will continue to provide its Principal Activities during the next financial year. There are unlikely to be any other developments 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 detailed on page 33. This legislative framework reflects AVS status as an entity wholly owned by the State of Victoria.

Environmental legislation

The Company's operations are not affected by any particular or significant environmental regulation under a law of the Commonwealth or of a state or territory in Australia.

The Group does not meet the reporting thresholds defined in the *AASB Exposure Draft ED1 SR1 Australian Reporting Standards – Disclosure of Climate-related Financial Information*. Disclosures will be implemented in three stages with the first stage from 1 July 2024 and the final third stage from 30 June 2027.

Directors' interests

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

Indemnification and insurance of officers and auditors

The Company has not, during or since the end of 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.

The Company maintains Directors & Officers Liability insurance and all premiums have been paid for the financial year.

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 42 of this report and forms part of the directors' report for the financial year ended 30 June 2024.

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

Ms Sam Andersen
Director
30 August 2024

Mr Geoff Harry
Director
30 August 2024

Annual financial report 2023–24

Agriculture Victoria Services Pty Ltd (AVS) has presented its audited general purpose annual financial report for the year ended 30 June 2024 to provide users with information about AVS stewardship of the 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 2024 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.

On behalf of the Directors, we authorise the attached annual financial report for issue on 30 August 2024.

Ms Sam Andersen	Mr Geoff Harry
Director	**Director**
30 August 2024	30 August 2024

Annual Financial Report 2023–24 continued

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 balance sheet as at 30 June 2024 • consolidated comprehensive operating statement for the year then ended • consolidated statement of changes in equity for the year then ended • consolidated cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • directors' declaration. In my opinion, the consolidated 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 2024 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.
Other Information	The Directors are responsible for the "other information" included in the company's Annual Report for the year ended 30 June 2024. The other information in the Annual Report does not include the financial report and my auditor's reports thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.
Directors' responsibilities for the financial report	The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Directors are responsible for assessing the company 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.

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

Annual Financial Report 2023–24 continued

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
- 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
6 September 2024

Paul Martin
as delegate for the Auditor-General of Victoria

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Annual Financial Report 2023–24 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 2024, 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
6 September 2024

Paul Martin
as delegate for the Auditor-General of Victoria

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Annual Financial Report 2023–24 continued

Consolidated comprehensive operating statement

For the year ended 30 June 2024

	Notes	Consolidated 2024 $000	2023 $000
Continuing operations			
Revenue and income from transactions			
Revenue from services and royalties	2.1	21,933	22,830
Other Income	2.1	2,811	1,360
Total revenue and income from transactions		**24,744**	**24,190**
Expenses from transactions			
Employee & director expenses	3.2.1	(3,005)	(2,855)
Depreciation and amortisation	4.4	(241)	(240)
Interest expense	6.1.1	(34)	(35)
Research and development, royalty and patent expenses	3.3	(15,188)	(17,190)
Other operating expenses	3.4	(1,397)	(1,445)
Total expenses from transactions		**(19,865)**	**(21,765)**
Net result from transactions (net operating result)		**4,879**	**2,425**
Other economic flows included in net result			
Net gain on non-financial instruments	8.1	9	–
Net gain on financial instruments	8.1	822	1,486
Other (losses) from other economic flows	8.1	(15)	(20)
Total other economic flows included in net result		**816**	**1,466**
Net result		**5,695**	**3,891**
Comprehensive result		**5,695**	**3,891**

The accompanying notes form part of the annual financial report.

Annual Financial Report 2023–24 continued

Consolidated Balance Sheet

As at 30 June 2024

	Notes	Consolidated 2024 $000	2023 $000
Assets			
Financial assets			
Cash and deposits	6.2	35,478	22,973
Receivables	5.1	3,616	6,008
Investments and other financial assets	4.7	25,910	24,450
Total financial assets		**65,004**	**53,431**
Non-financial assets			
Plant, equipment and motor vehicles	4.1	48	96
Right-of-Use assets	4.2	514	457
Intangible assets	4.5	85	142
Leasehold improvements	4.3	344	433
Other non-financial assets	5.3	11	327
Total non-financial assets		**1,002**	**1,455**
Total assets		**66,006**	**54,886**
Liabilities			
Payables	5.2	20,319	14,663
Borrowings	6.1.4	–	32
Lease liability	6.1.3	705	668
Employee related provisions	3.2.2	502	738
Total liabilities		**21,526**	**16,101**
Net assets		**44,480**	**38,785**
Equity			
Accumulated surplus		39,480	33,785
Contributed capital	8.6	5,000	5,000
Net worth		**44,480**	**38,785**

The accompanying notes form part of the annual financial report

Annual Financial Report 2023–24 continued

Consolidated cash flow statement

For the year ended 30 June 2024

	Notes	Consolidated 2024 $000	2023 $000
Cash flows from operating activities			
Receipts			
Receipts from customers		27,190	24,121
Other revenue received		1,923	2,059
Total receipts		**29,113**	**26,180**
Payments			
Payments to suppliers and employees		(15,018)	(22,293)
Goods and services tax paid to the ATO [a]		(811)	(867)
Interest and other costs of finance paid		(34)	(35)
Total payments		**(15,863)**	**(23,195)**
Net cash flows from/(used in) operating activities	**6.2.1**	**13,250**	**2,985**
Cash flows from investing activities			
Proceeds from disposal of PE & MV		60	–
Payment for purchase of PE & MV		(22)	–
Cash withdrawal from matured Term Deposits		–	2,020
Reinvestment of distribution revenue		(638)	(1,260)
Net cash flows from/(used in) investing activities		**(600)**	**760**
Cash flows from financing activities			
Repayment of borrowings		(33)	(5)
Repayment of principal portion of lease liabilities	6.1.2	(112)	(105)
Net cash flows used in financing activities		**(145)**	**(110)**
Net increase/(decrease) in cash and cash equivalents		**12,505**	**3,635**
Cash and cash equivalents at beginning of financial year		22,973	19,338
Cash and cash equivalents at end of financial year	**6.2**	**35,478**	**22,973**

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 2023–24 continued

Consolidated statement of changes in equity

For the year ended 30 June 2024

	Consolidated		
	Accumulated surplus $000	Contributed Capital $000	Total $000
Balance at 1 July 2022	**29,894**	**5,000**	**34,894**
Net result for the year	3,891	–	3,891
Balance at 30 June 2023	**33,785**	**5,000**	**38,785**
Balance at 1 July 2023	**33,785**	**5,000**	**38,785**
Net result for the year	5,695	–	5,695
Balance at 30 June 2024	**39,480**	**5,000**	**44,480**

The accompanying notes form part of the annual financial report.

Notes to the Annual Financial Report

For the year ended 30 June 2024

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 issued share capital of five million shares is wholly owned by the State of Victoria. The Secretary of the Department of Energy, Environment & Climate Action (DEECA) holds these shares in the capacity of officeholder. The Secretary, as Department Head, is an agent of the Crown in the right of the State of Victoria. The State's shares now held by the Secretary in the capacity of officeholder is a change from prior year where shares were held in the name of the person in the role of Secretary on trust for the State.

1.1 Basis of preparation

The annual financial report comprises the consolidated annual financial statements of the Company and its wholly owned subsidiary, Phytogene Pty Ltd (collectively referred to as the 'Group'). At 30 June 2024 SmartSense Agtech Pty Ltd (SSA) had not commenced operations.

All intercompany transactions and balances are eliminated upon consolidation. While a separate annual financial report for the parent entity is not included, limited financial information about AVS is provided in these notes, in accordance with the requirements of *Reg. 2M.3.01 of the Corporations Regulations 2001*. Any significant disparities in accounting policies among Group entities are adjusted to ensure consistency in the consolidated financial report.

Further details regarding the Company's operations and its principal activities are included in preceding sections of the 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 30 August 2024.

1.2 Currency

The presentation currency used in these financial statements is Australian dollars ($) unless otherwise noted.

1.3 Historical Cost

The consolidated annual financial report adheres to the historical cost convention, except for long-term employee benefit provisions, which are stated at the present value of estimated future cash flows. Additionally, selected assets are revalued using the fair value basis of accounting, as detailed later in these notes.

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 Rounding off of amounts

The Group is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in this report are rounded off to the nearest thousand dollars, unless otherwise indicated. 2023–24 is the first year of applying the rounding off of amounts. In prior years all disclosures were made in absolute amounts.

1.6 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.

Notes to the Annual Financial Report continued

1.7 Judgements, Estimates and Assumptions

The preparation of financial information necessitates the exercise of judgements, estimates and assumptions. Significant judgements impacting disclosures and measurements are disclosed elsewhere in these notes.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 2023–24 Department of Treasury and Finance (DTF) Model Financial Report.

2. Funding delivery of our services

The Group specialises in managing and commercialising novel technologies arising from bioscience and agriculture research conducted by DEECA. It oversees a significant intellectual property (IP) portfolio for the Government of Victoria and other stakeholders, leveraging these assets to benefit the agricultural sector and the state's economy. Through expert IP management and technology commercialisation services, the Group facilitates the widespread adoption and impact of the Department's scientific research findings, contributing significantly to the Victorian Government's economic and social development objectives.

This section provides information about the income earned by the Group and the relevant notes.

The Group has made judgements that revenue from services and royalties be recognised under *AASB 15 – Revenue from contracts with 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	
	2024 $000	2023 $000
Revenue from services and royalties		
Revenue from supply of services	10,219	11,992
Royalty income	11,714	10,838
Total revenue from services and royalties	**21,933**	**22,830**
Other income		
Interest on bank deposits	1,285	791
Investment distributions	1,526	569
Total other income	**2,811**	**1,360**
Total revenue and income from transactions	**24,744**	**24,190**

Notes to the Annual Financial Report continued

Revenue from the supply of services comprises revenue from contracts with customers entered into by the Group, and by 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 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 revenues from customers is recorded as contract liabilities. Where AVS performance obligations are 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 licensees of annual license reports as required under license agreements.

Interest income includes interest received on bank term deposits and other interest-bearing 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 are recognised when the Group's right to receive payment has been established and when the trustees declare distributions.

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

Notes to the Annual Financial Report continued

3. The cost of delivering our services

Introduction

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

Structure

3.1 Expenses incurred in delivery of services

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

	Notes	Consolidated 2024 $000	 2023 $000
Employee & director expenses	3.2.1	3,005	2,855
Research and development, royalty and patent expenses	3.3	15,188	17,189
Operating expenses	3.4	1,397	1,445
Total expenses incurred in delivery of services		**19,590**	**21,489**

3.2 Employee and director expenses

3.2.1 Employee and director benefits in the comprehensive operating statement

	Consolidated 2024 $000	 2023 $000
Salaries and wages, annual leave and long service leave	2,484	2,500
Termination benefits	112	–
Director's fees	116	114
Defined contribution superannuation expense	293	241
Total employee benefit expenses	**3,005**	**2,855**

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

Termination benefits are payable when an employee is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment. Termination benefits are recognised when the Company is demonstrably committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Notes to the Annual Financial Report continued

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

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

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	
	2024 $000	**2023 $000**
Current provisions:		
Annual leave		
Unconditional and expected to settle within 12 months	255	259
Long service leave		
Unconditional and expected to settle within 12 months	2	6
Unconditional and expected to settle after 12 months	151	376
Provisions for on-costs		
Unconditional and expected to settle within 12 months	–	1
Unconditional and expected to settle after 12 months	27	64
Total current provisions for employee benefits	**435**	**706**
Non-current provisions:		
Employee benefits	57	28
On-costs	10	5
Total non-current provisions for employee benefits	**67**	**33**
Total provisions for employee benefits	**502**	**739**

Notes to the Annual Financial Report continued

Reconciliation of movement in provisions

	Consolidated	
	2024 $000	2023 $000
Opening balance	**739**	**629**
Additional provisions recognised	26	328
Reductions arising from payments/other sacrifices of future economic benefits	(248)	(198)
Effect of changes in the discount rate	(15)	(20)
Closing balance	**502**	**739**
Current	435	706
Non-current	67	33

The employee benefits provisions are recognised in the balance sheet at remuneration rates that are current at the reporting date.

Annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid as there is no unconditional right to defer settlement 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.

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 either:

- 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.

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

Notes to the Annual Financial Report continued

3.2.3 Superannuation contributions

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

	Consolidated Paid contribution for the year		Consolidated Contribution outstanding at year end	
	2024 $000	2023 $000	2024 $000	2023 $000
Defined contribution plans				
Total	**267**	**219**	**26**	**22**

3.3 Research and development, royalty and patent expenses

	Consolidated	
	2024 $000	2023 $000
Contracted agency research expenses	7,646	9,235
Investment commercialisation project expenses	1,148	967
Royalty expenses	5,781	6,076
Patent expenses	613	912
Total research and development, royalty and patent expenses	**15,188**	**17,190**

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

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

As at 30 June 2024, the Group had eleven active investment projects under management. In accordance with *AASB 138 – Intangible Assets*, seven of these projects have been assessed as remaining in the research phase with expenditure expensed in the year incurred. One of the seven projects is recognised as an investment in the subsidiary company (Note 4.6).

Four projects are assessed as being in the development phase with expenditure on these projects being capitalised and reported as intangible assets (Note 4.5).

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

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

Notes to the Annual Financial Report continued

3.4 Operating expenses

	Consolidated	
	2024 $000	2023 $000
Supplies and services		
Consulting fees	365	295
Insurance	192	151
Recruitment costs	136	124
Managed service (ICT)	117	117
Agency costs	104	217
Legal services	85	121
Staff Training	82	35
Audit services	71	61
Subscriptions & memberships	60	66
ICT costs	55	45
Cleaning & property services	29	51
Other borrowing costs (other than interest)	1	3
Other operating expenses	100	159
Total operating expenses	**1,397**	**1,445**

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

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

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

Insurance is provided via the Victorian Managed Insurance Authority and includes professional indemnity, public liability, directors & officers liability, property, cyber, travel and vehicles insurance.

Recruitment costs represents the costs incurred in appointing specialist professional firms to assist with the recruitment for key vacancies.

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.

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

Agency costs represent expenditure on temporary assignments of outsourced roles due to staff vacancies.

Audit Services include the VAGO annual audit and the non-VAGO contracted internal audit services provider.

Subscriptions & memberships represent costs related to software as a service and memberships of professional associations.

ICT costs include hosting fees, system reviews and annual support and maintenance paid to software vendors, and other computer expenses not included within the Managed Services arrangement with the Department.

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.

The Group has made the judgement that investments (including investments in subsidiary) are key assets utilised to support the Group's objectives and outputs. 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 motor vehicles
4.2 Right-of-use assets
4.3 Leasehold improvements
4.4 Depreciation & Amortisation
4.5 Intangible assets
4.6 Interests in subsidiary entity
4.7 Investments and other financial assets

4.1 Plant, equipment and motor vehicles

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2024 $000	2023 $000	2024 $000	2023 $000	2024 $000	2023 $000
Plant and equipment at fair value	25	3	(6)	(3)	19	–
Motor vehicles at fair value	61	132	(32)	(36)	29	96
Net carrying amount	**86**	**135**	**(38)**	**(39)**	**48**	**96**

	Plant, equipment and vehicles at fair value	
	2024 $000	2023 $000
Opening balance	**96**	**108**
Additions	22	–
Adjustment	–	14
Disposals	(51)	–
Depreciation	(19)	(26)
Closing balance	**48**	**96**

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

Notes to the Annual Financial Report continued

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, equipment and vehicles.

Notes to the Annual Financial Report continued

4.2 Right-of-use assets

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2024 $000	2023 $000	2024 $000	2023 $000	2024 $000	2023 $000
Right-of-use asset at fair value	963	813	(449)	(356)	514	457
Net carrying amount	**963**	**813**	**(449)**	**(356)**	**514**	**457**

	Right-of-use asset	
	2024 $000	2023 $000
Opening balance	**457**	**497**
Depreciation	(93)	(83)
Effect of changes from annual rent increase	150	43
Closing balance	**514**	**457**

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

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

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

Right-of-use assets – Subsequent measurement

The Group depreciates right-of-use assets on a straight-line basis from the lease commencement date 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.

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.

Notes to the Annual Financial Report continued

4.3 Leasehold improvements

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2024 $000	2023 $000	2024 $000	2023 $000	2024 $000	2023 $000
Leasehold improvements	715	732	(371)	(299)	344	433
Net carrying amount	**715**	**732**	**(371)**	**(299)**	**344**	**433**

	Leasehold Improvements	
	2024 $000	2023 $000
Opening balance	**433**	**506**
Depreciation	(72)	(73)
Correction to retention calculation payment	(17)	–
Closing balance	**344**	**433**

Note: *This reconciliation represents both the company and the consolidated entity, as subsidiaries do not hold any Leasehold improvements.*

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

4.4 Depreciation and amortisation

Charge for the period	2024 $000	2023 $000
Plant and equipment	3	–
Motor vehicles	16	12
Leasehold improvements	72	73
Right-of-use assets	93	83
Intangible assets (amortisation)	57	72
Total depreciation	**241**	**240**

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)	4
Plant and equipment	2 to 5
Right-of-use asset (leased asset)	10
Leasehold improvements	10
Intangible assets	13 to 19

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, residual values and depreciation rates of all assets at the end of each financial year and where necessary, records a change in accounting estimate.

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

4.5 Intangible assets

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

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

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

Notes to the Annual Financial Report continued

4.5.1 Recognition

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

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

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

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

4.5.2 Amortisation

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

Amortisation of Investment Projects	2024 $000	2023 $000
Amortisation for the period	57	72

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 of intangible assets for the reporting period.

Notes to the Annual Financial Report *continued*

4.5.4 Reconciliation of Movements in Carrying Amount

	Gross carrying amount		Accumulated amortisation		Net carrying amount	
	2024 $000	2023 $000	2024 $000	2023 $000	2024 $000	2023 $000
Primary Oilseeds	1,507	1,507	(1,507)	(1,507)	–	–
Holl Canola	300	300	(300)	(264)	–	36
HT Barley	131	131	(50)	(33)	81	98
HT Lentils	16	16	(12)	(8)	4	8
Net carrying amount	**1,954**	**1,954**	**(1,869)**	**(1,812)**	**85**	**142**

	Primary Oilseeds $000	HOLL Canola $000	HT Barley $000	HT Lentils $000
Opening balance – 1 July 2022	**34**	**54**	**114**	**12**
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation	(34)	(18)	(16)	(4)
Closing balance – 30 June 2023	–	**36**	**98**	**8**
Opening balance – 1 July 2023	–	**36**	**98**	**8**
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation	–	(36)	(17)	(4)
Closing balance – 30 June 2024	–	–	**81**	**4**

Notes to the Annual Financial Report continued

4.6 Interests in subsidiary entity

	Ordinary share Entity Interest	
	2024 %	2023 %
Controlled entities		
Phytogene Pty Ltd	**100**	**100**
SmartSense Agtech Pty Ltd	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 comprehensive operating statement contained within the annual financial report.

Annually the Group completes a valuation of the Company's equity investment in Phytogene. At 30 June 2024 the valuation identified an impairment to the carrying value of the subsidiary. The result was a downward revision of $1,002,252 in the equity investment carrying value on the Company's unconsolidated balance sheet for the reporting period.

The carrying value of the Phytogene investment in the parent Company's balance sheet is $52,750 at 30 June 2024 (2023: $1,005,002).

SmartSense Agtech Pty Ltd (SSA) was incorporated on 24 April 2024 as a wholly owned subsidiary of the Company to commercialise the PastureSmarts technology. The Group approved an investment plan in June 2024 with operations to commence in 2024-25 funded via planned and approved Company equity investment.

The Company owns all of the SSA issued share capital of $1,000 at 30 June 2024 (2023: nil)

Please refer to Note 1.1 for the principles of consolidation.

4.7 Investments and other financial assets

	Consolidated	
	2024 $000	2023 $000
Non-current investments and other financial assets		
Managed investment scheme	25,910	24,450
Total non-current investments and other financial assets	**25,910**	**24,450**
Total investments and other financial assets	**25,910**	**24,450**

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 and the net gain or loss on investment recognised as fair value through net result. Refer to note 7.1.

The VFMC managed investment scheme is classified as a non-current asset, reflecting the Group's intention to retain this asset beyond 30 June 2025.

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

	Consolidated	
	2024 $000	**2023 $000**
Current receivables		
Contractual		
Sale of services and royalties	1,111	4,691
Accrued investment income	1,200	312
Other receivables	2	6
Amounts owed from Department	1,000	345
Statutory		
GST input tax credit recoverable	303	654
Total current receivables	**3,616**	**6,008**

Contractual receivables which include mainly debtors in relation to sale of 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.

Notes to the Annual Financial Report continued

5.2 Payables

	Consolidated	
	2024 $000	2023 $000
Current payables		
Contractual		
Supplies and services	2,127	838
Amounts payable to the Department	12,065	9,249
Contract liabilities - unearned income [(a)]	2,124	2,132
Provisions and accrued expenses	3,624	1,904
Other payables	18	23
Statutory		
Other taxes payable	85	71
GST payable	276	446
Total current payables	**20,319**	**14,663**

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.

Amounts payable to the Department represent the amounts where the Group has a certain obligation to provide to the Department the payments the Group has received from third parties arising from the Group acting as agent on behalf of the Department.

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the obligation.

Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the reporting period and include any consideration for risks and uncertainties, time value of money and future events from sufficient objective evidence. The Group's provisions do not include any onerous contracts or make good provisions.

Employee related provisions are disclosed separately, see Note 3.2.2.

Notes to the Annual Financial Report continued

Accrued expenses are provisions of the Group where the obligation at the reporting period is certain and if it were not for timing at the end of the reporting period the obligation would have been disclosed in current payables for supplies and services.

	Provisions $000	Accruals $000	Total 2024 $000
Opening balance	–	**1,905**	**1,905**
Reductions arising from payments to settle obligations	–	(4,893)	(4,893)
Additions arising from past events with present obligation	1,002	5,610	6,612
Closing Balance	**1,002**	**2,622**	**3,624**

Contract liabilities – unearned income

	Consolidated	
	2024 $000	2023 $000
Contract liabilities		
Opening Balance	**2,132**	**642**
Add: Payments received for performance obligations yet to be completed during the period	2,007	3,564
Less: Revenue recognised in the reporting period for the completion of a performance obligation	(2,015)	(2,074)
Closing contract liabilities	**2,124**	**2,132**
Represented by		
Current contract liabilities	**2,124**	**2,132**

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.

Notes to the Annual Financial Report continued

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

	Carrying amount $000	Nominal amount $000	Maturity dates Less than 1 month $000	1–3 months $000	3 months – 1 year $000	1+ years $000
2024						
Supplies and services	2,127	2,127	2,122	5	–	–
Amounts payable to AVR	12,065	12,065	8	2,762	3,807	5,488
Contract liabilities - unearned income	2,124	2,124	177	531	1,416	–
Provisions and accrued expenses	3,624	3,624	32	1,290	2,302	–
Other payables	18	18	18	–	–	–
Total	**19,958**	**19,958**	**2,358**	**4,587**	**7,525**	**5,488**
2023						
Supplies and services	838	838	796	42	–	–
Amounts payable to AVR	9,249	9,249	634	3,376	3,646	1,593
Contract liabilities - unearned income	2,132	2,132	125	502	1,505	–
Provisions and accrued expenses	1,904	1,904	–	1,904	–	–
Other payables	23	23	23	–	–	–
Total	**14,146**	**14,146**	**1,578**	**5,824**	**5,151**	**1,593**

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

5.3 Other non-financial assets

	Consolidated 2024 $000	2023 $000
Current other assets		
Prepayments	11	327
Total current other assets	**11**	**327**

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

Notes to the Annual Financial Report continued

6. Financing our operations

Introduction

This section provides information on the sources of finance utilised by the Group 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 Key Judgements and Estimates

Treatment of Leased Assets

The Group leases premises. The lease contract is for a fixed period of 10 years with an option to renew the lease after that date.

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 the right-to-use an identified asset;
- the Group has the right to obtain substantially all the economic benefits from use of the leased asset; 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 – Non lease cost components within a lease contract are excluded and accounted for separately when determining the lease liability and right-of-use asset amount.

Short-term or low value asset lease exemption – The Group 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.

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. The Group lease liability has been discounted by a rate of 4.91%.

Lease Liability – subsequent measurement – Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right of use asset is already reduced to zero.

Notes to the Annual Financial Report continued

6.1.1 Amounts recognised in the Comprehensive Operating Statement

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

	Consolidated	
	2024 $000	2023 $000
Interest expense on Right of Use lease liabilities	34	34
Interest on lease of motor vehicles	–	1
Total amount recognised in the Comprehensive Operating Statement	**34**	**35**

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

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

6.1.2 Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ended 30 June 2024 relating to leases:

	Consolidated	
	2024 $000	2023 $000
Repayment of principal portion of lease liabilities	112	105
Total cash outflow for leases	**112**	**105**

6.1.3 Leases Right-of-use Assets

The Group 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 of $127,800 per annum. The base rental is reviewed on each anniversary of the commencement date.

	Consolidated	
	2024 $000	2023 $000
Current lease liabilities – RoU Assets	150	142
Total current liabilities	**150**	**142**
Non-current borrowings		
Lease liabilities – RoU Assets	555	526
Total non-current liabilities	**555**	**526**
Total liabilities for RoU Assets	**705**	**668**

Notes to the Annual Financial Report continued

6.1.4 Leases of motor vehicles

	Consolidated	
	2024 $000	2023 $000
Current borrowings		
Lease liabilities – motor vehicles [(a)]	–	6
Total current borrowings	**–**	**6**
Non-current borrowings		
Lease liabilities – motor vehicles	–	26
Total non-current borrowings	**–**	**26**
Total borrowings	**–**	**32**

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

Borrowings refer to interesting bearing liabilities raised from leased motor vehicles with Vicfleet. Leases liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

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 Comprehensive Operating Statement in the period in which it is incurred.

The finance lease was settled, and no new finance leases were entered into during the year.

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 are as indicated in the reconciliation below.

	Consolidated	
	2024 $000	2023 $000
Cash at bank and on hand	35,371	22,870
Deposits at call	107	103
Balance as per cash flow statement	**35,478**	**22,973**

Notes to the Annual Financial Report continued

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

	Consolidated	
	2024 $000	2023 $000
Net result for the period	**5,695**	**3,891**
Non cash movements		
Depreciation and amortisation of non current assets	241	241
Net (Gain) on disposal of plant and equipment	(9)	–
Net (Gain) on Financial Instruments	(822)	(1,487)
Movements in assets and liabilities		
(Increase)/decrease in receivables	2,393	(2,044)
Increase in payables	5,656	2,445
Increase/(decrease) in provisions	(220)	110
Increase/(decrease) in prepayments	316	(171)
Net cash flows from operating activities	**13,250**	**2,985**

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) Capital expenditure commitments

There are no capital commitments as at 30 June 2024 (2023: nil).

b) Operating expenditure commitments

Nominal amounts 2024	Less than 1 year $000	1-5 years $000	Total $000
Research expenditure commitments payable	245	–	245
Total commitments (inclusive of GST)	**245**	**–**	**245**
Less GST recoverable	(22)	–	(22)
Total commitments (exclusive of GST)	**223**	**–**	**223**

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

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

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
7.2 Contingent assets and contingent liabilities
7.3 Fair value determination

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)
- term deposits.

Financial liabilities at amortised cost

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

The Group recognises the following liabilities in this category:

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

Financial assets and liabilities at fair value through net result

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

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

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

Notes to the Annual Financial Report continued

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 or at 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 retrospectively 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

2024	Cash and deposits $000	Financial assets at amortised cost (AC) $000	Financial liabilities at amortised cost (AC) $000	Financial assets/ liabilities at fair value through profit/ loss (FVTPL) $000	Total $000
Contractual financial assets					
Cash and deposits					
Cash and deposits	35,478	–	–	–	35,478
Investments and other financial assets	–	–	–	25,910	25,910
Receivables [(a)]					
Sale of services and royalties	–	1,111	–	–	1,111
Accrued distribution from VFMC	–	1,200	–	–	1,200
Other receivables	–	2	–	–	2
Amounts owed from the Department	–	1,000	–	–	1,000
Total contractual financial assets	35,478	3,313	–	25,910	64,701
Contractual financial liabilities					
Payables [(a)]					
Supplies and services	–	–	2,127	–	2,127
Amounts payable to the Department	–	–	12,065	–	12,065
Contract liabilities – unearned income [(a)]	–	–	2,124	–	2,124
Provisions and accrued expenses	–	–	3,624	–	3,624
Other payables	–	–	18	–	18
Borrowings					
Lease liabilities – RoU Assets	–	–	705	–	705
Total contractual financial liabilities	–	–	20,663	–	20,663

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

2023	Cash and deposits $000	Financial assets at amortised cost (AC) $000	Financial liabilities at amortised cost (AC) $000	Financial assets/ liabilities at fair value through profit/ loss (FVTPL) $000	Total $000
Contractual financial assets					
Cash and deposits					
Cash and deposits	22,973	–	–	–	22,973
Investments and other financial assets	–	–	–	24,450	24,450
Receivables [(a)]					
Sale of services and royalties	–	4,691	–	–	4,691
Accrued interest income	–	–	–	–	–
Accrued distribution from VFMC	–	312	–	–	312
Other receivables	–	6	–	–	6
Amounts owed from the Department	–	345	–	–	345
Total contractual financial assets	22,973	5,354	–	24,450	52,777
Contractual financial liabilities					
Payables [(a)]					
Supplies and services	–	–	838	–	838
Amounts payable to the Department	–	–	9,249	–	9,249
Contract liabilities – unearned income [(a)]	–	–	2,132	–	2,132
Provisions and accrued expenses	–	–	1,905	–	1,905
Other payables	–	–	22	–	22
Borrowings					
Lease liabilities – Motor Vehicles	–	–	32	–	32
Lease liabilities – RoU Assets	–	–	668	–	668
Total contractual financial liabilities	–	–	14,846	–	14,846

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

2024	Net holding gain/(loss) $000	Total interest income/ (expense) $000	Fee income/ (expense) $000	Impairment loss $000	Total $000
Contractual financial assets					
Investments recognised at fair value through profit/(loss)	822	–	–	–	822
Total contractual financial assets	**822**	**–**	**–**	**–**	**822**

2023	Net holding gain/(loss) $000	Total interest income/ (expense) $000	Fee income/ (expense) $000	Impairment loss $000	Total $000
Contractual financial assets					
Investments recognised at fair value through profit/(loss)	1,487	–	–	–	1,487
Total contractual financial assets	**1,487**	**–**	**–**	**–**	**1,487**

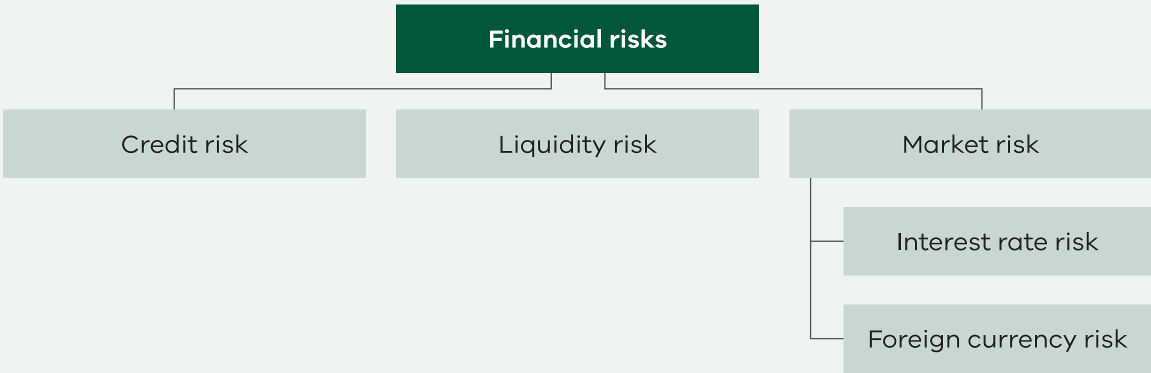
Note: *Amounts disclosed in this table exclude holding gains and losses related to statutory financial assets and liabilities.*

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 Note 7.1.1.

There has been no material change to the consolidated entity's credit risk profile in 2023–24.

Notes to the Annual Financial Report continued

Financial instruments: Liquidity risk

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

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

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

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

Financial instruments: Market risk

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

Sensitivity disclosure analysis and assumptions

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

- a movement of 100 basis points up and down in market interest rates (AUD);
- a movement of 15 per cent up and down (2023: 15 per cent) for the top ASX 200 index.

Interest rate risk

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

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

The Group 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 Group'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 2024

2024	Weighted average interest rate %	Carrying amount $000	Fixed interest rate $000	Variable interest rate $000	Non-interest bearing $000
Financial assets					
Cash and deposits					
Cash at bank	4.41	35,371	–	35,371	–
Deposits at call	4.21	107	107	–	–
Investment and other financial assets	–	25,910	–	25,910	–
Receivables [(a)]					
Sale of services and royalties	–	1,111	–	–	1,111
Accrued interest income	–	-	–	–	–
Accrued distribution income (VFMC)	–	1,200	–	–	1,200
Other receivables	–	2	–	–	2
Amounts owed from DEECA	–	1,000	–	–	1,000
Total financial assets		**64,701**	**107**	**61,281**	**3,313**
Financial liabilities					
Payables [(a)]					
Supplies and services	–	2,127	–	–	2,127
Amounts payable to the Department	–	12,065	–	–	12,065
Contract liabilities – unearned income [(a)]		2,124			2,124
Provisions and accrued expenses		3,624			3,624
Other payables	–	18	–	–	18
Borrowings					
Lease liabilities – RoU Assets	4.91	705	705	–	–
Total financial liabilities		**20,663**	**705**	**–**	**19,958**

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

2023	Weighted average interest rate %	Carrying amount $000	Fixed interest rate $000	Variable interest rate $000	Non-interest bearing $000
Financial assets					
Cash and deposits					
Cash at bank	3.70	22,870	–	22,870	–
Deposits at call	2.88	103	103	–	–
Investment and other financial assets	–	24,450	–	24,450	–
Receivables [(a)]					
Sale of services and royalties	–	4,691	–	–	4,691
Accrued distribution income (VFMC)	–	312	–	–	312
Other receivables	–	6	–	–	6
Amounts owed from from the Department	–	345	–	–	345
Total financial assets		**52,777**	**103**	**47,320**	**5,354**
Financial liabilities					
Payables [(a)]					
Supplies and services	–	838	–	–	838
Amounts payable to the Department	–	9,249	–	–	9,249
Contract liabilities – unearned income [(a)]	–	2,132	–	–	2,132
Provisions and accrued expenses	–	1,904	–	–	1,904
Other payables	–	23			23
Borrowings					
Lease liabilities – Motor Vehicles	3.25	32	32	–	–
Lease liabilities – RoU Assets	4.91	668	668	–	–
Total financial liabilities		**14,846**	**700**	**–**	**14,146**

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

2024	Carrying amount $000	-100 basis points Net result $000	+100 basis points Net result $000
Financial assets			
Cash and deposits			
Cash at bank	35,371	(354)	354
Deposits at call	107	(1)	1
Total impact	**35,478**	**(355)**	**355**

2023	Carrying amount $000	-100 basis points Net result $000	+100 basis points Net result $000
Financial assets			
Cash and deposits			
Cash at bank	22,870	(229)	229
Deposits at call	103	(1)	1
Total impact	**22,973**	**(230)**	**230**

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

Foreign currency risk

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

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

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

The Group's receivables and payables are not exposed to foreign currency movements in 2024. (2023: 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:

2024	Carrying amount $000	-15% Net result $000	+15% Net result $000
Financial assets			
VFMC managed funds	25,910	(3,887)	3,887
Total impact	**25,910**	**(3,887)**	**3,887**

2023	Carrying amount $000	-15% Net result $000	+15% Net result $000
Financial assets			
VFMC managed funds	24,450	(3,668)	3,668
Total impact	**24,450**	**(3,668)**	**3,668**

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 2024 (2023: 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.

The Group monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is 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;

Notes to the Annual Financial Report continued

- 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 2023–24 financial year (2022-23: Nil).

7.3.1 Fair value determination of financial assets and liabilities

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

These financial instruments include:

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

Financial assets and liabilities at fair value

		Fair value measurement EOFY using:		
	Carrying amount	Level 1	Level 2	Level 3
2024	$000	$000	$000	$000
Financial assets				
VFMC managed funds	25,910	–	25,910	–
Total impact	**25,910**	**–**	**25,910**	**–**

		Fair value measurement EOFY using:		
	Carrying amount	Level 1	Level 2	Level 3
2023	$000	$000	$000	$000
Financial assets				
VFMC managed funds	24,450	–	24,450	–
Total impact	**24,450**	**–**	**24,450**	**–**

There have been no transfers between levels during the period.

All financial liabilities are recorded in the first table of this section, there are no liabilities requiring disclosure in the second and third table of this section.

Notes to the Annual Financial Report continued

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate fair value.

VFMC Managed Funds: The Group invests in the fund, which is not quoted in an active market. The Group considers the valuation techniques and inputs used in valuing this fund and the net asset value of the fund as calculated by VFMC is used to measure fair value.

7.3.2 Fair value determination of non-financial assets

The Property Plant and Equipment of the Group are not periodically revalued as the depreciated cost is considered to represent fair value. Refer note 4.1.

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 2024, 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

	2024 $000	2023 $000
Net gain/(loss) on non-financial instruments		
Net gain/(loss) on disposal of motor vehicles	9	–
Net gain/(loss) on financial instruments [(a)]		
Net Gain / (Loss) on Financial Instruments	822	1,487
Other(losses) from other economic flows		
Net (loss) arising from revaluation of long service liability [(b)]	(15)	(20)
Total other economic flows included in net result	**816**	**1,467**

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

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

8.2 Responsible persons

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

Responsible Minister

The person who held the position of responsible minister is the Minister for Agriculture, the Hon. Gayle Tierney MP was Minister from 1 July 2023 to 2 October 2023 and the Hon. Ros Spence 3 October 2023 to 30 June 2024.

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 S. Andersen (AVS Chair)	1 July 2023 to 30 June 2024
Ms D. Angus (AVS Director)	1 November 2023 to 30 June 2024
Dr A. Caples (AVS Director)	1 July 2023 to 30 June 2024
Mr GD Harry (AVS Director)	1 November 2023 to 30 June 2024
Mr RA Jagger (AVS Director and SSA Director)	1 July 2023 to 30 June 2024
Ms JE Perrier (AVS Director)	1 July 2023 to 30 June 2024
Dr R. Aldous (AVS Director and Phytogene Chair)	1 July 2023 to 31 October 2023
Dr JM Tennent (AVS Director and Phytogene Director)	1 July 2023 to 31 October 2023
A/Prof. Matthew Hayden (Phytogene Director)	1 July 2023 to 30 June 2024
Ms M. Goldsmith (AVS CEO and SSA Director)	20 November 2023 to 30 June 2024
Mr SM Cagney (Phytogene Director)	15 December 2023 to 30 June 2024

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: 2 directors below $10,000, 2 directors $10,000 to $20,000, 2 directors $20,000 to $30,000 and 1 director $30,000 to $40,000. (2023: 4 directors $20,000 to $30,000 and 1 director $$30,000 to $40,000).

No remuneration was paid by the Company to the one director employed by the Victorian Public Service.

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

Remuneration received or receivable by the accountable officer/s in connection with management of the group during reporting period was in the range: $290,000 to $300,000 (2023: $320,000 to $330,000).

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 and the accountable officer, 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	**2024 $000**	**2023 $000**
Short-term employee benefits	454	455
Post-employment benefits	50	48
Other long-term benefits	11	12
Total remuneration [(a)]	**515**	**514**
Total number of executives	**3**	**2**
Total annualised employee equivalents [(b)]	**1.7**	**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, noting that one executive officer served as the interim accountable officer for a 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. The wholly owned subsidiary SSA Pty Ltd incorporated on 24 April 2024 did not commence trading in 2023–24 and there are no transactions to consolidate into the Group financial report.

Key management personnel

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

Ms S. Andersen (AVS Chair)	1 July 2023 to 30 June 2024
Ms D. Angus (AVS Director)	1 November 2023 to 30 June 2024
Dr A. Caples (AVS Director)	1 July 2023 to 30 June 2024
Mr GD Harry (AVS Director)	1 November 2023 to 30 June 2024
Mr RA Jagger (AVS Director and SSA Director)	1 July 2023 to 30 June 2024
Ms JE Perrier (AVS Director)	1 July 2023 to 30 June 2024
Dr R. Aldous (AVS Director and Phytogene Chair)	1 July 2023 to 31 October 2023
Dr JM Tennent (AVS Director and Phytogene Director)	1 July 2023 to 31 October 2023
A/Prof. Matthew Hayden (Phytogene Director)	1 July 2023 to 30 June 2024
Ms M. Goldsmith (AVS CEO and SSA Director)	20 November 2023 to 30 June 2024
Mr SM Cagney (Interim CEO)	1 July 2023 to 19 November 2023
Mr SM Cagney (Phytogene Director)	1 July 2023 to 30 June 2024

	Consolidated	
Compensation of KMPs	**2024 $000**	**2023 $000**
Short-term employee benefits	401	416
Post-employment benefits	40	37
Other long-term benefits	17	8
Total remuneration [(a) (b) (c) (d)]	**458**	**461**

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 2024 the Victorian Government's Department of Energy, Environment and Climate Action (DEECA) was the major supplier and customer of services to the Group. These services were provided on a normal commercial basis. The value of transactions between the Company and the State of Victoria for the financial year were as follows:

	Consolidated	
	2024 $000	2023 $000
Revenues		
Received from the DEECA and/or AVR	3,098	3,609
Received from wholly owned controlled entities	–	6
Expenses		
Paid to the DEECA and/or AVR	6,098	10,023
Receivables		
Receivable from the DEECA and/or AVR	1,000	345
Payables		
Payable to the DEECA and/or AVR	12,066	9,249

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 fair value. No dividends have been received or are planned for distributed.

Parent Entity Balance Sheet	2024 $000	2023 $000
Assets		
Financial assets		
Cash and deposits	35,270	22,761
Receivables	3,616	6,008
Other financial assets	53	1,055
Investments	25,910	24,450
Total financial assets	**64,849**	**54,274**
Non-financial assets		
Plant, equipment and motor vehicle	48	96
Intangible assets	515	142
Right of Use assets	84	457
Leasehold Improvements in progress	345	433
Other non-financial assets	11	327
Total non-financial assets	**1,003**	**1,455**
Total assets	**65,852**	**55,729**
Liabilities		
Payables	20,310	14,653
Borrowings	–	32
Right of Use liability	705	668
Employee related provisions	502	739
Total liabilities	**21,517**	**16,092**
Net assets	**44,335**	**39,637**
Equity		
Accumulated surplus/(deficit)	39,335	34,637
Contributed capital	5,000	5,000
Net worth	**44,335**	**39,637**

Notes to the Annual Financial Report continued

Parent Entity Profit and Loss Statement	2024 $000	2023 $000
Net result from transactions (net operating balance)	4,884	2,439
Other economic flows included in net result	(186)	1,466
Total Comprehensive result	**4,698**	**3,905**

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 2024. (2023: nil)

Capital Commitments of the parent entity

There are no capital commitments as at 30 June 2024. (2023: nil)

Share Capital

5,000,000 fully paid ordinary shares $5,000,000 in 2024. (2023: $5,000,000)

8.7 Remuneration of auditors

	Consolidated	
	2024 $000	2023 $000
Victorian Auditor General's Office		
Audit the annual financial report	39	43
HLB Mann Judd Pty Ltd		
Internal Audit Services	26	18
Other non audit services [(a)]	–	–
Total remuneration of auditors	**65**	**61**

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 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 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', '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*.

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.

Notes to the Annual Financial Report continued

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.

Classification of investment expenses

Investment expenses comprise the costs related to the progression of new investment projects of the Group. Time spent by employees on new investment projects of the Group are included within the investment expense line items.

8.9 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2023–24 reporting period. These accounting standards have not been applied to the Group's Financial Statements.

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

AASB 2022-10 amends AASB 13 *Fair Value Measurement* by adding authoritative implementation guidance and illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. This Standard applies prospectively to annual periods beginning on or after 1 January 2024, with earlier application permitted.

The AASB 2022-10 Amendments are not expected to impact on the Group's Financial Statements.

Notes to the Annual Financial Report continued

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

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

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

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

These standards and amendments have no potential impact on Group's Financial Statements.

A number of other standards and amendments have also been issued that apply to future reporting periods, however they are not expected to have any significant impact on the financial statements in the period of initial application.

Appendix 1: Acronyms and glossary of terms

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

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


DeLaval

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