Agriculture Victoria Services Pty Ltd

Annual Report
2019

VICTORIA State Government | Jobs, Precincts and Regions

AGRICULTURE VICTORIA SERVICES

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

Chief Executive Officer
Mr DC Liesegang

Company Secretary
Mr SM Cagney to 15 May 2019
Mr BG Lang from 15 May 2019

Auditors
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Bankers
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AGRICULTURE VICTORIA SERVICES

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Contents

Company profile

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

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

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

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

Background

AVS has delivered more than 30 years of service excellence.

The AVS team consists of 16 professional and support staff that provide the specialist capability necessary to meet the Company's obligations to government and the expectations of stakeholders.

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

Purpose

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

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

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

Company value

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

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

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

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

Operating principles

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

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

- AVS invests Company funds to accelerate the translation of AVR research outputs into innovative products and services. Funds are invested in high-potential innovations that are technically feasible and commercially attractive, and that align with Department IP management principles, AVS strategic objectives and the above operating principles.

Objectives

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

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

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

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

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

Core values

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

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

Stakeholders and collaborators

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

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

Chairman's report

Agriculture Victoria Services Pty Ltd, its board, management and employees are pleased to present the Company's annual report for the period ended 30 June 2019.

In 2018–19, AVS met its corporate objectives and delivered a net result of $4.1 million, while demonstrating the Company's contribution to improving the economic development and prosperity of Victoria's agriculture industries.

"AVS' specialist skills in IP management, technology commercialisation, research collaboration and innovation investment remain vital for linking the world-leading research of AVR with local industry for the state's economic benefit."

Innovation is a central driver of the economic growth, productivity and international competitiveness of Victorian agriculture.

AVS' specialist skills in IP management, technology commercialisation, research collaboration and innovation investment remain vital for linking the world-leading research of the AVR with local industry for the state's economic benefit.

AVS holds an IP portfolio that is an important asset of the Department. This portfolio enables smart agricultural innovations for local industry benefit, particularly for dairy, grain, animal and horticultural producers. It comprises patent filings throughout the world: of novel plant varieties, genetic traits, biologicals, fungal endophytes, genomic selection methods and related technologies.

A key principle underpinning AVS' strategic approach to IP management is to always protect AVR's IP assets in the best interests of our local agricultural sector, particularly by ensuring current and future access to technologies and freedom-to-operate. The AVS board, management and staff have this year continued to rigorously apply this principle in all decisions to protect, commercialise and defend its IP assets.

A key activity to achieve AVS' purpose and objectives is investing Company funds in high-potential technology inventions of AVR which are technically feasible, commercially attractive and likely to lead to strong industry uptake and positive impacts for Australian farmers. The success of the AVS investment portfolio has led to higher revenue flows during the past three years. Higher company cash reserves have enabled AVS to expand its investment portfolio in 2018–19, with 12 active investment projects as at 30 June 2019.

Stakeholders and collaborators value AVS as a specialist, professional and objective corporate entity. In 2018–19, relationships between AVS and its key stakeholders and collaborators were characterised by high levels of trust and constructive engagement.

The 2018–19 year was the first of the Company's new three-year corporate plan. AVS achieved its three core objectives for this first year and delivered against the Company's six success measures, while strengthening the Company's value proposition for its key stakeholders.

The AVS *Corporate plan (2019–2021)* is building on past achievements and recognises the growing depth, breadth and complexity of the Company's business, technologies and collaborations. The strong performance of the Company in 2018–19 illustrates AVS' continued value in guiding, supporting and investing in the delivery of AVR leading-edge science through commercial collaborations.

As a self-funded entity relying on service fees and investment income to fund its operations and to ensure its ongoing viability, AVS remains strategically well-positioned to continue to help protect and develop Victoria's innovation economy and its strong agriculture sector. The Company's focus and resource deployment will continue to be directed towards meeting the objectives of its *Corporate plan (2019–2021)*.

I would particularly like to express my appreciation to my fellow directors and the management and staff of AVS for the strong performance of the company during 2018–19. Their dedication has been pivotal to further enhancing the role, performance and reputation of AVS.

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd

Chief Executive Officer's report

In 2018–19, the first year of AVS' three-year *Corporate plan (2019–21)*, the Company successfully delivered against all of its annual objectives and performance measures and delivered a positive net result of $4.1 million.

The Company achieved this by meeting the technology commercialisation and research collaboration needs of the Department's Agriculture Victoria Research branch (AVR) while generating a strong annual financial result.

"AVS is recognised by its commercial R&D collaborators, IP partners and technology licensees for providing a professional, responsive and impartial commercial interface, wherever a commercial route to market via the private sector is needed for the Department's research and innovation."

AVR is undertaking research to enable Victorian farmers to overcome productivity, food security and biosecurity challenges and help them compete in key export markets, particularly in Asia. The research environment in agriculture is becoming more global and more sophisticated, in both agriculture technology deliverables and in the technological tools that underpin this research.

AVS' understanding of this changing business environment has been further enhanced to ensure contemporary IP commercialisation arrangements, international collaborations and technology investments for accelerating the translation of AVR inventions into products and services – for the benefit of local industry.

For example, AVS this year provided important support and advice for:

- IP portfolio management to guide IP route-to-impact decision-making
- technology valuation to guide commercialisation strategy
- commercial collaborations to deploy AVR research and innovation.

AVS' patent portfolio comprises subject matter related to the genetic improvement of plant and animal species that are important to Victoria, pest and disease management, and novel molecular technologies for the analysis of microbiomes in association with plants and animals. Patented inventions related to AVR's research activities include fungal and bacterial endophytes, bioactive compounds and genomic technologies, as well as enabling technologies for accelerated precision breeding of crops and livestock.

In 2018–19, AVS lodged 12 new patent filings. These included patent filings associated with research inventions by AVR, as well as extensions and variations to existing AVS patents to enhance their technical and geographic coverage. IP assets held by the Company are now represented by 611 patent filings in 30 countries.

In 2018–19 several technology licence agreements were signed by AVS granting IP rights associated with AVR research outputs. These have helped to maximise technology adoption by industry and to deliver economic benefits to Victoria.

For example, several technology licence agreements were signed by AVS in 2018–19 granting rights to AVR technologies that are increasing rates of genetic and performance gain for key livestock and crops of economic importance. Genomic selection remains one of the most significant innovations of AVR scientists during the past decade and is continuing to revolutionise livestock and crop genetic improvement worldwide. The related patent is an AVR innovation of local and global relevance in plant and animal genomics. The associated licence agreements will enable delivery of faster, cheaper and more accurate genomic-based breeding innovations and services for Australian and international plant and livestock industries, such as grains and dairy.

This year AVS also contractually engaged with several companies to help strengthen domestic and global markets for Victorian-produced medicinal cannabis products. These arrangements are supporting the priority actions in the Victorian Government's plan to develop the state's medicinal cannabis sector and to position Victoria as a leader in the export of medicinal cannabis products.

The strategic collaboration between AVS, AVR and Corteva Agriscience™ continued to commercially validate novel, joint discoveries for improved, accelerated, precision breeding of target crops, for which AVS has research and commercialisation rights in Australia. These rights are now being used to develop products in crops of strategic relevance to Australia, such as novel breeding tools and plant variety innovations for the benefit of dairy farmers and grain growers. In 2018–19, AVS and Corteva

Chief Executive Officer's report continued

Agriscience™ signed a new project agreement to underpin the development of high-quality wheat products for Australian and global grain growers.

Through the Company's investment function, AVS now has 12 active investment projects under management. During the past 15 years, the Company has invested in 20 technology enhancement projects.

Of the 12 active investments, seven are in the early stages of technology concept development – with AVS having committed to their funding during the past four years. The seven projects reflect a strategic shift toward development of patented, platform technologies, created by AVR, to enable increased and accelerated rates of genetic gain in crops of local and global economic importance.

Four of AVS' current investments (HT Barley, HT Lentils, Primary Oilseeds, HOLL Canola) continue to deliver benefits to the Australian agriculture sector and have continued to generate positive financial returns in 2018–19.

Two new AVS investment projects funded in 2018–19 will aim to characterise, evaluate and commercialise novel microbial strains and products, developed by AVR, as valuable plant biostimulants, biofertilisers or biopesticides.

Strong, constructive collaborations will remain critical for AVS to meet its current strategic objectives.

Our team remains fully committed to making a real difference to the productivity and enduring profitability of Victoria's farmers and agriculture industries – by ensuring the transformational research outputs of AVR are delivered to farmers through capable private sector entities.

To this end, I would like to commend the work and collaborative support of AVR, its executive leadership and its world-class scientists and support staff.

And finally, I would like to express my sincere gratitude and appreciation for the commitment and exceptional work of everyone at AVS in supporting the delivery of step-change improvements in Victorian agriculture, and for the support and guidance of the AVS board of directors.

David Liesegang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd

Board of directors
For the year ended 30 June 2019

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

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

Clive is a director of AgInsight Pty Ltd, a consulting firm that provides science and technology advice to government, industry, universities and the private sector. Clive spent more than 30 years working in the public sector in agriculture and primary industries, most of this period as a senior executive. Clive's background is in research conduct, research and development strategy and management, corporate strategy, governance and technology commercialisation.

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

Clive joined the AVS board in 1998 and was appointed chairman of the Company on 1 August 2008. Clive is also a director of the AVS subsidiary, Phytogene Pty Ltd.

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

Lesley is the former chief executive officer of Dairy Innovation Australia Ltd and has served on the board of the Fisheries Research and Development Corporation (FRDC), Murray Dairy, Barley Australia and MBQIP Ltd.

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

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

Board of directors continued

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

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

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

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

Sam is the chair of the AVS Audit and Risk Management Committee.

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

Sam is chair of the Australian Packaging Covenant Organisation Limited and Beyond Bank Australia Limited, and a director of Australian Hearing Services, Melbourne Convention and Exhibition Trust and Victorian Land Registry Services, and chair of the Audit and Risk Management Committee for the Department of Premier and Cabinet.

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

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

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

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

Mr Peter Turvey (Director)
BA/LLB, MAICD

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

Peter is the former group general counsel, company secretary and executive vice-president licensing of specialty biopharmaceutical company CSL Ltd, having retired in 2011. He is currently a principal of Foursight Associates Pty Ltd, and a non-executive director of Starpharma Holdings Ltd.

Peter played a key role in the transformation of CSL from a government-owned entity through Australian Securities Exchange listing in 1994 to the global plasma and biopharmaceutical company that it is today. He was also responsible for the protection and licensing of CSL's intellectual property and for risk management within CSL.

Review of financial performance

This section provides a five-year financial summary and reviews the 2018–19 year for AVS and its subsidiary. Full financial performance details for the 2018–19 year are shown in the accompanying financial statements. A consolidated five-year financial summary for AVS and its subsidiary is provided in the following table.

Table 1: Five-year financial summary ($ thousands)

Five-year financial summary	2018–19	2017–18	2016–17	2015–16	2014–15
Total income from transactions	25,141	28,100	17,250	19,666	20,488
Total expenses from transactions	(21,180)	(21,045)	(14,405)	(16,170)	(18,434)
Net result from transactions	3,961	7,055	2,845	3,496	2,054
Net result for the period	4,070	7,052	2,978	3,512	1,812
Net cash flows from operating activities	7,698	9,988	4,771	1,896	(2,705)
Total assets	49,680	40,906	28,912	23,926	21,707
Total liabilities	18,607	13,902	8,961	6,952	8,245
Net assets	31,073	27,003	19,951	16,974	13,462

Overview

Net result for the period

In 2018–19, AVS achieved a net result of $4.1 million. This reflects the strong performance of the AVS investment portfolio during the past three years. The net result in 2017–18 was $7.1 million and in 2016–17 was $3.0 million.

Net assets

The investment portfolio performance has contributed to total net assets in 2018–19 being at the highest level in the Company's history at $31.1 million. Net assets in 2017–18 were $27.0 million and in 2016–17 were $20.0 million.

Royalty income

Royalty income was $13.0 million for 2018–19, which is the second-highest recorded in AVS history. Royalty income in 2017–18 was $16.7 million and in 2016–17 was $8.2 million.

AVS investment portfolio

The strong performance of the AVS investment portfolio has enabled AVS to invest $2 million during the past three financial years in research innovations of the Department, namely OHV Canola, ExZact Wheat, OHV Wheat, SaffBio, CannBio, Endophyte MicroBiome and CannBio MicroBiome.

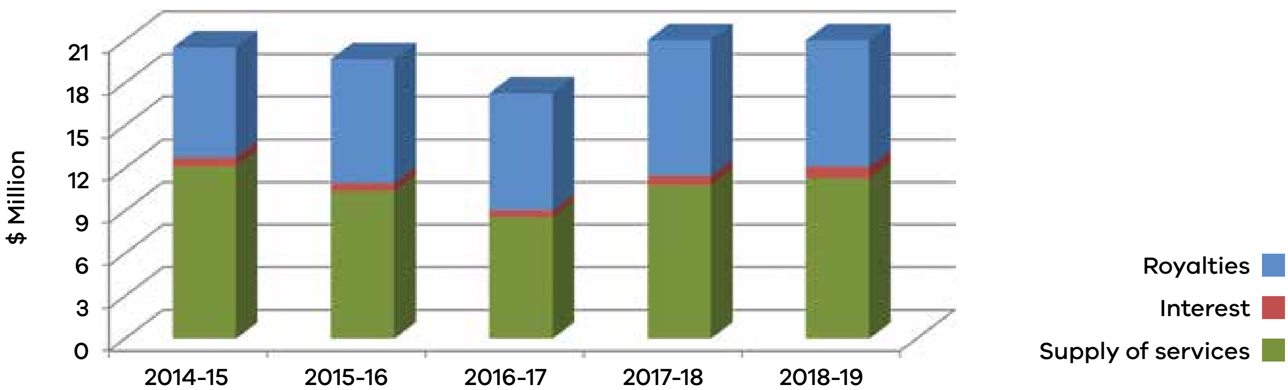
Net result from transactions

The net result from transactions is an appropriate measure of financial management and performance. The net result from transactions excludes other economic flows, which include asset impairments and revaluations. In 2018–19, AVS achieved a net result from transactions of $4.0 million (2017–18: $7.1 million).

Total income from transactions

The five-year total income from transactions includes the royalty income, interest revenue and supply of services, each of which is summarised in the following graph.

Figure 1: Five-year total income from transactions



Review of financial performance continued

Interest income is interest earned on financial assets.

The **supply of services income** includes revenues from services provided by AVS to the Department; contracted research revenue where AVS acts as agent on behalf of the Department; and the recovery of IP costs.

The supply of services income in 2018–19 was $11.3 million. In 2017–18 this income amount was $10.8 million. In 2016–17 this income amount was $8.5 million. Variances during the past three years relate to the timing of several large contracts.

Royalty income at $13.0 million for 2018–19 represents the second-highest in AVS' history and includes AVS royalty revenue and royalty revenue collected on behalf of (and distributed to) IP equity holders, including the Department.

Royalty income during each of the past four years has been at record levels. Royalty income in 2017–18 was $16.7 million. Royalty income in 2016–17 was $8.2 million. Royalty income in 2015–16 was $8.7 million.

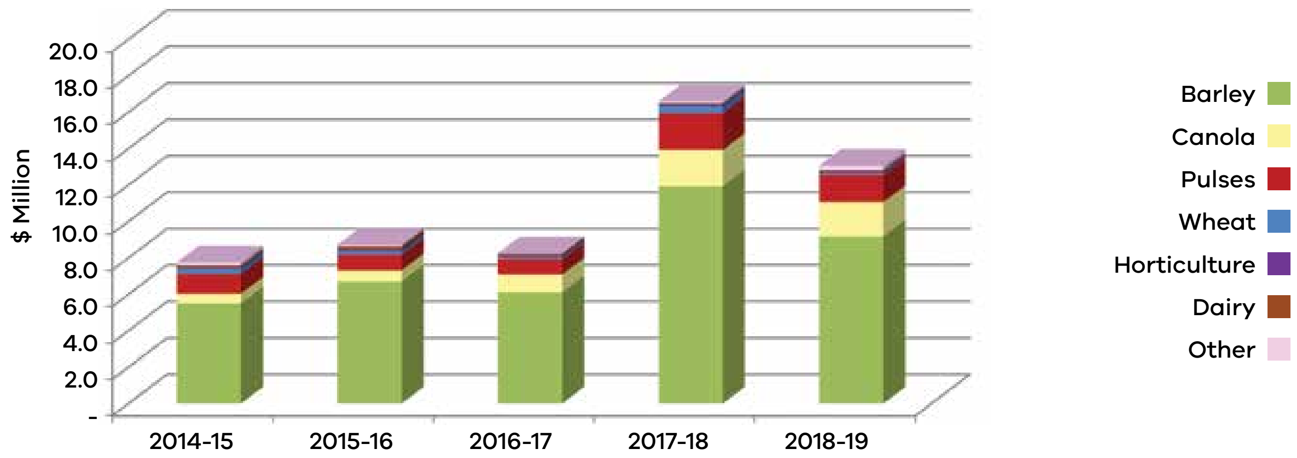
The strong royalty performance relates to the significant returns from the AVS investment fund. These returns are expected to decline during the next three to five financial years as several investments reach the end of their commercial lives.

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

Revenues from the commercialisation of AVS' patented barley varieties continue to deliver most of the Company's royalty income, accounting for $8.2 million of the $13.0 million total royalty income in 2018–19.

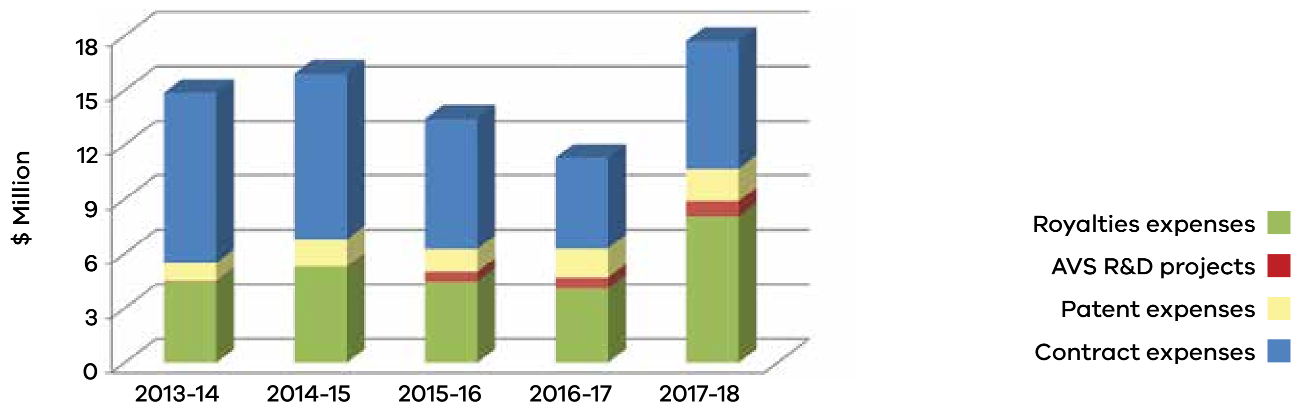
In 2017–18, AVS barley varieties contributed $11.9 million of the $16.7 million total royalty income. In 2016–17, AVS barley varieties contributed $6.1 million of the $8.2 million total royalty income.

Figure 2: Five year royalty income



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

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



Review of financial performance continued

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

Royalty expenses is the distribution of royalty revenue to IP equity holders including the Department. A total of $6.7 million was distributed in 2018–19 (cf. $8.1 million in 2017–18 and $4.1 million in 2016–17).

AVS research (investment) project expenses represent project investments made through the AVS investment fund in research innovations of the Department. These research investment projects are expensed to the operating statement, as distinct from development projects that are capitalised in the balance sheet. In 2018–19 research project investments amounted to $1.6 million and included OHV Canola, OHV Wheat, SaffBio, CannBio, Endophyte MicroBiome and CannBio MicroBiome (cf. $827,000 in 2017–18 and $606,000 in 2016–17).

Patent expenses represent IP registration expenses for the protection of the IP assets of AVS, the Department and other IP equity holders. In 2018–19 patent expenses amounted to $2.2 million (cf. $1.8 million in 2017–18 and $1.6 million in 2016–17).

Contract research project expenses represent both AVS research (investment) project expenses and contract research and development funds collected by AVS as agent for the Department (and paid to the Department for the provision of contracted research services by the Department to commercial third parties). Contract research and development expenses incurred as agent for the Department in 2018–19 total $6.62 million. This is $0.41 million less than the $7.03 million in 2017–18. In 2016–17 this amounted to $5.0 million. Variances during the past three years relate to the timing of several large contracts.

Employee expenses were $2.1 million in 2018–19 ($1.7 million in 2017–18).

Operating expenses for 2018–19 amounted to $1.9 million compared with $1.5 million in 2017–18. The increase of $0.4 million is primarily attributable to the AVS strategic initiative projects undertaken during 2018–19. The strategic initiative projects undertaken during the year included core IP defence and exploitation strategy development; investment case development; AVS office relocation design; and investment modelling upskilling.

Group result net of agency transactions
The following table shows the net surplus after royalty, IP and agency distribution, net of all third-party associated income and expenses.

Table 2: 2018–19 year in review ($ thousands)

	2018–19			2017–18		
	Total	Agency	Group	Total	Agency	Group
Income from supply of services	11,267	9,260	2,007	10,801	8,794	2,007
Royalty income	13,048	6,724	6,324	16,662	8,050	8,612
Interest income	826		826	636		636
Total income from transactions	**25,141**		**9,157**	**28,100**		**11,255**
Expenses from transactions						
Contract research project expenses	8,181	6,622	1,559	7,853	7,026	827
Royalty expenses	6,724	6,724	-	8,050	8,050	-
Patent expenses	2,179	2,068	111	1,797	1,701	96
Employee expenses	2,080		2,080	1,729		1,729
Depreciation and amortisation	140		140	93		93
Interest expenses	1		1	1		1
Operating expenses	1,875	570	1,302	1,522	68	1,454
Total expenses from transactions	**21,180**		**5,196**	**21,045**		**4,200**
Net result from transactions				**7,055**		**7,055**
Other economic flows	108		108	(3)		(3)
Comprehensive result	**4,070**		**4,070**	**7,052**		**7,052**

Review of financial performance continued

Group royalty income (after distributions to IP equity holders, including the Department) in 2018–19 was $6.3 million, compared with $8.6 million in 2017–18 and $4.2 million in 2016–17.

The strong royalty performance is attributable to significant returns generated from AVS investment projects.

The royalty income from several of these projects is expected to decline during the next three to five financial years as they reach the end of their commercial lives.

Group income from AVS services amounts to $2.0 million in 2018–19 and $2.0 million in 2017–18.

Supply of services (net AVS) includes services provided by AVS to the Department and does not include contract revenue and expenditure transmitted on behalf of contract parties (including the Department) and patent and IP expenses recovered from non-AVS equity holders.

Group contract research project expenses represent AVS investments made in Department research innovations.

Financial position – balance sheet
Net assets increased by $4.1 million in 2018–19 to $31.1 million (cf. $27.0 million in 2017–18). This was primarily due to increases in total assets of $8.8 million and an increase in total liabilities of $4.7 million.

The increase in total assets comprises an increase of $8.2 million in financial assets, while non-financial assets have increased by $0.6 million.

The increase in financial assets reflects the increase in cash and deposits to $43.8 million in 2018–19, from $36.7 million in 2017–18. The increase in financial assets has been enabled by the strong performance of the net results from transactions.

The increase of $4.7 million in total liabilities reflects an increase of the amount payable to the Department and primarily relates to the timing of royalty distributions in 2018–19.

Cash flows
The increase in cash in 2018–19 was $7.1 million (cf. $9.9 million in 2017–18) and comprises the net result of $4.1 million and other cash movements of $3.0 million.

Other cash movements include an increase in payables and receivables that relate to the timing of royalty distributions in 2018–19.

Review of operational performance

This section summarises key operational achievements for the 2018–19 financial year in alignment with the Company's three strategic objectives, as set out in the AVS *Corporate plan (2019–2021)*:

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

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

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

Intellectual property management and commercialisation

In 2018–19, AVS contributed to maximising the impact of the agricultural technologies and research capabilities of AVR by undertaking the following core IP and commercial management services:

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

AVS intellectual property portfolio

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

Innovations held by AVS are represented by 611 patent filings in 30 countries and reflect the broad range of AVR-created technologies that arise from AVR research.

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

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

Several AVS patent filings during the 2018–19 financial year related to AVR-created medicinal cannabis technologies in alignment with the Victorian Government's industry plan, *Developing a medicinal cannabis industry in Victoria 2018–2021*.

These AVS patent applications were primarily associated with proprietary medicinal cannabis strains and AVR-developed methods related to the development and use of those strains.

AVS holds Plant Breeder's Rights (PBR) registrations in Australia for several plant varieties bred by AVR. These PBR registrations have traditionally related to varieties of novel canola, cereal (e.g. wheat and barley) and forage grass (e.g. perennial ryegrass) varieties, along with varieties of pears, strawberries, peaches and potatoes. More recently, AVS has also obtained PBR registrations for proprietary new strains of medicinal cannabis.

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

The table below summarises the AVS IP portfolio held at 30 June 2019 for the past five years.

Table 3: AVS intellectual property portfolio from 2015 until 30 June 2019

AVS IP portfolio	2019	2018	2017	2016	2015
Patented inventions (patent families)	**83**	**69**	65	63	61
Plant Breeder's Rights	**59**	**58**	57	53	54
Trademarks	**13**	**13**	14	14	15

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Figure 4: Geographic representation of AVS intellectual property portfolio

Intellectual property registration achievements

The AVS IP portfolio includes an increasing number of new patent filings comprising novel research outputs of AVR.

During 2018–19 AVS lodged 12 new patent applications, as well as extensions and variations to existing AVS patents to enhance their technical and geographic coverage.

Australian provisional patent applications filed by AVS in 2018–19 included the following research and innovation outputs of AVR:

- Several Australian provisional patent applications filed by AVS relate to medicinal cannabis strains. Each of these new applications captures a cluster of related medicinal cannabis strains with a set chemotype (AU 2018904285; AU 2018904286; AU 2018904289; and AU 2018904291 – entitled *Plants with an enriched cannabinoid profile*). Three of the medicinal cannabis strains subject to these patent filings are also protected by AVS Plant Breeders Rights applications (Cannbio-2, Cannbio-3 and Cannbio-4).

- An Australian provisional patent application filed by AVS captures clusters of proprietary AVR medicinal cannabis strains with specific terpene profiles and analysis methods (AU 2019900296 – *An analysis method*).

- Several Australian provisional patent applications filed by AVS relate to methodologies associated with medicinal cannabis (AU 2018904756 – *A method for determining a chemotypic profile*; AU 2018904869 – *Method of protein extraction from plant material*; AU 2018904875 – *An artificial plant seed and uses thereof*).

Australian standard patents granted to AVS in 2018–19 included the following research and innovation outputs of AVR:

- A standard AVS patent was granted in Australia for isolated and purified NEA12 endophytes and other endophytes developed by AVR (including plants infected with such endophytes and uses of endophytes to produce stable endophyte infected plants) (AU 2011204749 – *Endophytes and related methods*).

- A standard AVS patent was granted in Australia for methods of selecting and breeding non-human organisms which exhibit symbiotic behaviour with symbionts (AU 2013203272 – *Novel organisms*).

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- A standard AVS divisional patent was granted in Australia for endophyte variants where the endophyte variant is selected from the group consisting of NEA12dh5, NEA12dh6, NEA12dh13, NEA12dh14 and NEA12dh17, as well as for plants infected with such endophytes (AU 2016259449 – *Designer endophytes*).
- A standard AVS patent was granted in Australia for a method of preparing nucleic acid libraries for sequencing using semi-random enzymatic DNA fragmentation. This patent provides an important tool for AVR research (AU 2014308567 – *Method of nucleic acid fragmentation*).
- A standard AVS divisional patent was granted in Australia for novel endophytes, known as NEA21 and NEA23, as well as for plants infected with such endophytes (AU2016259448 – *Novel Endophytes (2)*).

In 2018–19 several patent applications filed by AVS outside of Australia have also been granted. These included:

- European and US patents entitled *Artificial selection method and reagents* associated with AVR-developed methods for estimating the breeding value of individuals in populations of plants or animals using genetic markers (EP 2120543; and US 10/179938).
- Patents directed to improvements in important agricultural crop plants, including a patent granted in the US related to manipulating fructan biosynthesis and enhancing plant biomass; patents granted in the US and Japan directed to methods for large-scale generation of artificial seeds comprising symbiota; a patent in Europe directed to the modification of plant flavonoid metabolism; and a European patent from the *Endophytes and related methods* family.

In 2018–19 AVS filed and obtained PBR registrations in Australia for a new barley variety bred by AVR, and a new lentil variety bred by AVR, 'PBA Hallmark XT'. AVS also filed a new Plant Variety Right (PVR) registration in New Zealand for the fungal endophyte NEA12, which has been accepted.

In 2018–19 AVS filed two new trademark registration applications (SafflowerBio and SaffBio) relating to a novel AVS safflower genetics breeding platform and related technologies under development.

Technology commercialisation achievements

The following activities in 2018–19 relate to the licensing of AVS IP rights associated with AVR research outputs to maximise technology adoption by industry and deliver economic benefits to Victoria.

AVS signed three new licence agreements with a global animal health company granting rights to the AVS patent *Artificial selection method and reagents*, a genomic selection method created by AVR in 2006.

AVS also signed a licence agreement to apply this patented technology with a leading European seed company. The licence grants the company rights for the purpose of carrying out genomic prediction in plants.

AVS' non-exclusive licensing of this AVR-created genomic selection IP asset is supporting breeding advances in plant and animal industries in Australia and globally by facilitating the cost-effective delivery of genomic breeding values and services for grain, dairy and beef farmers in Australia, Europe, the US, Canada and New Zealand.

AVS signed several technology licence agreements for new elite lentil, field pea and chickpea varieties developed through Pulse Breeding Australia (PBA) programs. PBA is an unincorporated joint venture comprising the Grains Research Development Corporation (GRDC), Pulse Australia and several state agencies (including the Department through AVR) in Australia.

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

- AVS signed a plant variety licence agreement with PB Seeds Pty Ltd for a new herbicide tolerant (HT) lentil variety, 'PBA Hallmark XT'. The new variety, bred by AVR in a PBA project with co-investment from the GRDC, is a high yielding HT lentil. National Variety Trial results show it has the potential to deliver a 5 to 12 per cent long-term yield advantage over 'PBA Hurricane XT'.
- AVS signed licence agreements with PB Seeds Pty Ltd and Landmark Operations Limited (trading as Seednet) to start the commercial evaluation of several new lentil lines and a field pea line bred by AVR through PBA projects. The evaluation will determine the potential of these lines for commercial release to Australian pulse growers. They are:
  - two medium-seeded HT lentil lines with the potential to perform well in drier environments

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  – a large-seeded HT lentil line which would be the first HT lentil of this seed size

  – a high yielding Kaspa-type field pea line with the potential for broad adaptation across Australia.

- AVS signed an evaluation and licence option agreement with PB Seeds granting rights to a new Kabuli chickpea line. AVR developed the new chickpea line under the PBA chickpea breeding program with financial support from GRDC.

AVS signed a licence agreement with Australian Grain Technologies Pty Ltd (AGT), which granted rights to conventional *Brassica napus* canola breeding lines developed by AVR under the National Brassica Germplasm Improvement Program (NBGIP). The licence agreement enables AGT to use oilseed genetics as parental lines for new cultivar development for canola farmers. AVS has previously made these lines available to other Australian canola breeding entities to develop new canola cultivars for Australian growers.

In alignment with the Victorian Government's medical cannabis industry plan, *Developing a medicinal cannabis industry in Victoria 2018–2021*, AVS has continued to support this sector to position Victoria as a leader in the development, manufacture and export of medicinal cannabis products, to create local jobs and provide life-changing treatment to patients.

In support of the plan's priority actions, AVS has contractually engaged with several companies to help strengthen domestic and global markets for Victorian-produced medicinal cannabis products. For example:

- AVS signed a material transfer agreement with a licensed cannabis cultivation company, granting licence rights to a medicinal cannabis strain created by AVR so that the company can assess strain material suitability for the manufacture of medicinal cannabis products for domestic and export supply.

- AVS signed a technical services agreement with a licensed cannabis cultivation company, granting it licence rights to undertake commercial cultivation, evaluation, extraction and manufacturing services in relation to medicinal cannabis strains and to use related technologies developed by AVR.

In 2018–19 AVS also signed technology licence agreements granting rights to IP that supports the commercial evaluation of several other new plant varieties bred by AVR, including:

- A material transfer agreement to enable the commercial evaluation of a series of leptospermum varieties for landscaping and street trees.

- A material transfer agreement to complete the commercial evaluation of a potato variety to assess its potential as a frozen food product.

Commercial research and collaboration

In 2018–19, AVS helped to strengthen commercial research collaborations by providing support services to help ensure:

- an effective commercial interface between AVR and private sector research collaborators

- the commercial risks of AVR collaborations with the private sector are assessed, balanced and managed

- commercial research agreements are negotiated and supported in a professional and expert manner

- commercial research joint ventures are well structured to minimise risks and maximise benefits for the state.

Commercial research agreement management

In 2018–19, AVS entered into several contract research and technical services agreements with the private sector on behalf of AVR, including the following:

- barley and wheat disease screening services for cereal breeding companies

- pulse disease management services

- cereal seed evaluation trials

- forage grass (tall fescue and perennial ryegrass) endophyte diagnostics

- crop health surveys

- grapevine virus reviews

- evaluation of a hydroponic system for use in broadscale applications

- soil, plant and borewater monitoring in the dairy industry

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- beef genotyping services
- pathogenicity and indigeneity services for novel microbes
- integrated biological based prediction approaches for hybrid wheat breeding.

In 2018-19, AVS and Corteva Agriscience™ signed a new sponsored research and development project agreement to underpin the development of high-quality wheat products for Australian and global grain growers.

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

Under commercial technical service agreements, AVS also provided (through AVR) one or more of the following services:

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

Collaborative research guidance and support

In 2018–19, AVS' specialist expertise in legal, commercial and IP matters was deployed to review draft agreements for several research and innovation collaborations of AVR. This helped to identify relevant contractual and IP risks and to advise on their management.

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

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

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AVS technology investment

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

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

In 2018–19, AVS continued to identify and assess investments that:

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

AVS investment portfolio

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

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

As at 30 June 2019, AVS had 12 active investment projects under management and had invested in 20 technology enhancement projects during the past 15 years. See Table 4 below for a review of each active project.

In 2018–19 AVS invested in two microbiome projects that aim to identify beneficial microbes for bioprotection, biostimulation and/or biofertilisation.

One of the new investment projects is entirely focused on biologicals for the medicinal cannabis industry.

The other new investment aims to discover and characterise novel, beneficial, endophytic microbes with bioprotection, biofertiliser and/or biostimulant activities for deployment in several crops to improve plant performance.

The following table briefly summarises current AVS investment fund projects.

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

Investment fund projects	Key objective of investment project	Project expenditure treatment
1. Phytogene Pty Ltd	Phytogene is a wholly owned subsidiary company of AVS established to commercialise a proprietary and patented delayed plant leaf senescence technology, with the trademark LXR®. The technology has a wide range of potential applications for major plant crops by increasing dry matter production, seed yield and drought tolerance. Phytogene also holds the exclusive commercialisation rights to another, complementary yield-enhancing trait – biomass enhancement technology (BET) – which was developed by AVR and the former Molecular Plant Breeding Cooperative Research Centre (CRC). AVS' share capital investment and early stage licence revenues fund Phytogene's ongoing operations.	Development project: expenditure reported in the AVS balance sheet as an investment in wholly owned subsidiary
2. Primary Oilseeds	This project has delivered AVR-developed canola germplasm and elite new canola varieties in Australia through three genetic trait pipelines: conventional (non-herbicide-tolerant) canola varieties; triazine-tolerant canola varieties; and imidazolinone-tolerant canola varieties.	Development project: expenditure reported in the AVS balance sheet as an intangible asset

Review of operational performance continued

Investment fund projects	Key objective of investment project	Project expenditure treatment
3. AVS High Oleic, Low Linolenic (HOLL) Canola	This project has delivered commercial HOLL canola hybrids with tolerance to key herbicides. Oil produced from HOLL canola offers improved shelf-life and stability at high temperatures due to its oxidative stability, as well as lower saturated 'trans' fats.	Development project: expenditure reported in the AVS balance sheet as an intangible asset
4. Herbicide-Tolerant (HT) Barley	This project has established and delivered the world's first HT barley varieties to enable Australian barley growers to better manage weeds and has provided the local grain industry with a new crop rotation option.	Research project: expenditure charged against the income statement in the year incurred
5. Herbicide-Tolerant (HT) Lentils	This project has developed and commercially released elite, new lentil varieties with tolerance to a class of important herbicides for Australian lentil growers.	Research project: expenditure charged against the income statement in the year incurred
6. Blackleg Tolerant Canola	This project aims to validate, de-risk and demonstrate the value of Blackleg Tolerant Canola Optimum Haploid Value (OHV) technology for use in canola pre-breeding applications by commercial breeding companies in Australia.	Research project: expenditure charged against the income statement in the year incurred
7. Genome Edited Wheat and Forages	This project aims to develop new ExZact™ genome-edited forage product innovations for the Australian dairy industry. It also aims to develop and validate platform technology in wheat to enable precision genome editing technology to be directly deployed in elite wheat germplasm.	Research project: expenditure charged against the income statement in the year incurred
8. Russian Wheat Aphid Tolerant Wheat	This project aims to develop, implement and demonstrate the efficacy of selection methods based on the OHV technology in wheat pre-breeding. This will help accelerate development of new wheat varieties with resistance to Russian wheat aphid (while increasing genetic gain for yield, rust disease resistance and other breeding traits).	Research project: expenditure charged against the income statement in the year incurred
9. Novel Safflower Platform (SaffBio™)	This project aims to establish a novel precision genome design system for safflower that will enable the generation of new safflower events producing biomolecules with industrial and agricultural applications. This investment also seeks to advance AVS' RNAse5 technology for animal health and animal feed applications.	Research project: expenditure charged against the income statement in the year incurred
10. Novel Medicinal Cannabis (CannBio®)	This project aims to develop and commercialise medicinal cannabis genetics that will provide novel chemical profiles of cannabinoids and aromatic terpenes, including designer medicinal cannabis strains. This project also enables targeted accelerated precision breeding to create novel, commercial medicinal cannabis products.	Research project: expenditure charged against the income statement in the year incurred

Review of operational performance continued

Investment fund projects	Key objective of investment project	Project expenditure treatment
11. Medicinal Cannabis Microbials	This project aims to discover, characterise and assess novel microbes for providing resistance against fungal and bacterial diseases and increasing yields of medicinal cannabis plants.	Research project: expenditure charged against the income statement in the year incurred
12. Endophyte Microbiome Library	This project aims to establish a collection of endophytic microbes isolated from a range of plants with bioprotection, biofertiliser and biostimulant activities for deployment in several crops to improve plant performance.	Research project: expenditure charged against the income statement in the year incurred

Of the 12 active investments, seven are in their early stages of development – with AVS having committed to their funding during the past five years, namely:

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

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

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

Four of the 12 AVS investments represent mature projects of this nature (HT Barley, HT Lentils, Primary Oilseeds, HOLL Canola) and have resulted in several elite new varieties being released to the market.

The cultivars derived from these projects continue to deliver significant benefits to the Australian agriculture sector and generate positive financial returns to AVS.

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

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

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Investment fund performance

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

Table 5: Summary of AVS investment fund performance

Investment fund indicator	Performance (2018–19)	Performance (2017–18)
Value of the AVS investment portfolio (NPV)	In 2018–19, the investment fund NPV (excluding subsidiary entity Phytogene) amounted to $32.4 million, representing an increase of $5.4 million or 20 per cent on the prior year. The increase primarily reflects the discounted value of two new investment projects approved by the board during the year. In 2018–19, the investment fund NPV for the subsidiary (Phytogene) amounted to $6.11 million.	In 2017–18, the investment fund NPV (excluding subsidiary entity Phytogene) amounted to $27.0 million, representing an increase of $3.1 million or 13 per cent on the prior year. The increase reflects improved net NPVs in four existing investments and the addition of a 2017–18 project (CannBio). In 2017–18, the investment fund NPV for the subsidiary (Phytogene) amounted to $11.8 million.
Projects that attract private sector investment	In 2018–19, nine of the 12 active projects have attracted private sector investment to date. The commercial co-investment plans of three projects are on track.	In 2017–18, nine of the 10 active projects had attracted private sector investment to date. The commercial co-investment plan of one project is on track.
Projects that generate new products	In 2018–19 two new commercial products were released to the market by project technology licensees. They are PBA Hallmark XT from the HT lentil project and V7002CL from HOLL Canola. Four of the 12 current investment projects have been successful in generating commercial products, while a fifth project has a product undergoing commercial field trials (with commercial release expected following regulatory approval). The remaining seven projects remain in technology development and evaluation phases with related product releases due in the next three to eight years.	As anticipated, in 2017–18 no new commercial products were released to the market by project technology licensees. Four of the nine current investment projects have been successful in generating commercial products, while a fifth project has a product undergoing commercial field trials (with commercial release expected following regulatory approval). The remaining five projects remain in various phases of technology development and evaluation, with related product releases due in the next four to eight years.
Financial return on AVS portfolio funds invested	In 2018–19, the annual financial return to AVS on total investment expenditure approved on all projects was 44 per cent. The annual financial return to AVS on total investment expenditure incurred to 30 June 2019 was 77 per cent.	In 2017–18, the annual financial return to AVS on total investment expenditure approved on all projects was 80 per cent.

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

Review of operational performance continued

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

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

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

INDEAR is also conducting LXR® alfalfa triple-trait product development pursuant to a licence agreement recently signed with Phytogene. This is expected to support the value proposition of the LXR® technology in South America, particularly in Brazil, where the presence of acidic soils (which leads to aluminium toxicity) is a likely barrier to broadacre alfalfa cultivation in southern cattle-producing regions. In 2018–19, INDEAR completed the design of DNA constructs for commencing the development of the triple-trait stacked LXR® alfalfa product, incorporating the LXR® yield enhancement, alfalfa mosaic virus resistance and aluminium tolerance, for regulatory approval and future commercial release by INDEAR in Argentina, Uruguay and Brazil.

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

Phytogene continues to maintain a low-cost structure while it builds value in its technology and seeks further commercial opportunities, particularly in crops of strategic importance to Victoria. As a result, Phytogene has been able to meet the operating loss of $63,238 from its own internal cash resources. Internal cash reserves provide sufficient funds to support Phytogene's operations for at least the next three years, up until royalty income from licensing activities is projected to commence and ensure the company's ongoing financial viability.

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

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

AVS HOLL Canola
The AVS HOLL Canola investment project was established to develop High Oleic, Low Linolenic (HOLL) Brassica napus canola hybrids with tolerance to key herbicides. Oil produced from HOLL canola offers improved shelf-life and stability at high temperatures due to its oxidative stability, as well as lower saturated 'trans' fats.

The Company's original co-investment with Cargill Inc. enabled the co-development of improved conventional and new herbicide-tolerant 'Victory' HOLL canola hybrids, primarily for Australian and North American production areas.

The collaboration has resulted in the release by Cargill of new commercial canola varieties in Australia with proprietary HOLL canola traits that offer value to the food and food processing sectors based on the product's health benefits to consumers. The outlook is for growers to continue to adopt Victory HOLL canola technology. Current releases include the Cargill HOLL canola varieties: Victory V3002; Victory V5003RR; Victory V7001CL and V7002CL.

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Herbicide-Tolerant (HT) Barley
Weed control is a key issue in Australian grain production, including in barley crops. Effective chemical weed control is desirable to maximise production of the crop and limit the need for mechanical cultivation and its resultant damage to soil structure and erosion. In barley cropping systems, a greater range of herbicides to control the full spectrum of relevant weeds is considered highly advantageous to grain growers. With this aim, AVS invested in a research and innovation project with the AVR for the development of HT barley.

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

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

The project has successfully demonstrated proof of concept in several lentil varieties with tolerance to the Group B herbicide, imidazolinone. HT lentil varieties were further developed and, through a commercial licensee (PB Seeds Pty Ltd), underwent wide-scale commercial grower evaluation before release. The first AVS HT lentil variety, PBA Herald XT, was launched by PB Seeds in 2011. The second AVS HT lentil variety, PBA Hurricane XT, was released in 2013. The third and most current HT Lentil variety, PBA Hallmark XT, was released in 2018–19.

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

Blackleg disease is caused by a fungal pathogen that poses a significant threat to the Australian canola industry and is responsible for the greatest production losses for growers.

Successful validation of this method by AVR through AVS investment will lead to enhanced prediction of blackleg disease resistance, shortening of the breeding process and accelerated delivery of elite new canola germplasm and varieties to grain growers.

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

Genome-Edited Wheat and Forages
This AVS investment project aims to develop and validate platform technologies enabling precision genome editing in wheat and forage grasses.

The resulting tools will enable plant breeding companies to develop new wheat and pasture grass varieties with genome-edit-enabled traits into any genetic background, in a targeted and accelerated manner.

In addition, when combined with other novel breeding methods, it provides the ability to generate fixed lines with the targeted trait in a single breeding cycle.

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

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

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

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Novel Safflower Platform (SaffBio™)
New safflower events are able to produce super high oleic oil suitable for bio-based oil production. AVS investment in the AVR's transformational genetic innovation platform for accelerated precision breeding in safflower is supporting the creation of a new bio-based oils industry for Victoria and the replacement of fossil fuels in products such as lubricants and plastics.

This AVS investment project aims to establish a platform for accelerated precision breeding in safflower to enable the generation of safflower events producing high-value biomolecules with industrial and agricultural applications.

The project is also aiming to de-risk and demonstrate the commercial value of the new accelerated precision breeding platform by generating safflower events that produce RNAse 5 in the seed. RNAse 5 is a bioactive polypeptide with commercial applications as a novel feedstock.

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

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

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

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

AVS investment is being used to facilitate industry uptake of these AVR-developed *CannBio*® innovations and expedite the development of a growth-oriented medicinal cannabis industry in Victoria. The project is also conducting targeted, accelerated, precision-breeding research to create a significant resource of proprietary, genome-edited medicinal cannabis strains with novel designer chemotype profiles, from deletions of a range of genes involved in the cannabinoid biosynthetic pathway. The project is also developing novel, proprietary *CannBio*® medicinal cannabis strains that can be licensed to suitably-authorised companies to grow and extract medicinal cannabis products for domestic and export markets.

Medicinal Cannabis Microbials
This AVS investment project started in 2018–19 and aims to discover, characterise and assess novel microbes for providing resistance against fungal and bacterial diseases and increasing yields of medicinal cannabis plants.

Endophyte Microbiome Library
This AVS investment project started in 2018–19 and aims to establish a collection of endophytic microbes isolated from wild plants related to modern crops (from an endophyte collection of Australian native plants) with bioprotection, biofertiliser and biostimulant activities for deployment in several crops to improve plant performance.

Corporate governance and organisation structure

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

Company incorporation status

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

AVS has five million issued shares that are held non-beneficially on behalf of the State of Victoria by Mr Richard Bolt. The shares are subject to a declaration of trust that requires the shareholder to exercise their rights in such manner as the Minister for Agriculture, the Honourable Jaclyn Symes MLC, or her delegate shall from time to time direct.

Responsibilities and composition of the board of directors

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

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

The current board members are as follows:

Director	Appointment Term
Dr Clive Noble (Chairman)	1 August 2011 to 30 June 2021
Dr Richard Aldous	1 November 2016 to 31 October 2019
Ms Sam Andersen	1 November 2016 to 31 October 2019
Dr Amanda Caples	1 November 2016 to 31 October 2019
Dr Lesley Macleod	1 July 2018 to 30 June 2021
Mr Peter Turvey	13 July 2012 to 31 July 2021

Board committees

The Board has three sub-committees.

Audit and Risk Management Committee

The purpose and objectives of the Audit and Risk Management Committee (ARMC) are defined in the AVS ARMC Charter and include oversight and advice on matters of accountability, compliance, performance and risk management. Members of the ARMC during 2017–18 were:

Ms Sam Andersen	Chair of ARMC and AVS director
Mr Peter Turvey	AVS director
Mr Geoff Harry	Independent member from 1 February 2018

The committee met four times during 2018–19.

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

The main responsibilities of the ARMC are to:

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

Corporate governance and organisation structure continued

Remuneration Committee
The Remuneration Committee meets on an as-needed basis to determine, approve and set remuneration terms and conditions for Company employees. All directors are members of the Remuneration Committee, which met once during 2018–19.

Investment Committee
The Investment Committee is constituted under the AVS investment policy and procedure. It is responsible for assisting and advising the AVS board on matters relating to the investment of AVS funds and their periodic review and valuation. All directors are members of the Investment Committee, which met six times during 2018–19.

Policies and procedures

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

Risk management

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

Attestation for financial management compliance with Standing Direction 5.1.4

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

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

- Instruction 3.4.10 Managing Shared Services and Outsourcing Arrangements – system changes to ensure full compliance are in the process of implementation.

- Direction 3.7.1 Business Continuity Planning – a draft business continuity plan has been prepared and is awaiting further review and approval by the ARMC and board.

Sam Andersen
AVS Director and Chair Audit and Risk Management Committee
Agriculture Victoria Services Pty Ltd
23 August 2019

Corporate governance and organisation structure continued

Executive management

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

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

Chief Executive Officer

David Liesegang was appointed as Chief Executive Officer in November 2015, having previously held the role of Chief Operating Officer. David leads the AVS team of 16 professional and support staff in the delivery of technology commercialisation, intellectual property and legal services to ensure the successful transfer of commercially valuable research outputs and science capability to the private sector.

Chief Operating Officer

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

Chief Financial Officer and Company Secretary

Shane Cagney was the Chief Financial Officer and Company Secretary until May 2019. Appointed in November 2016, Shane was responsible for the Company's financial planning and management, which included budget preparation, monitoring and reporting, financial systems, human resources, and information technology.

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

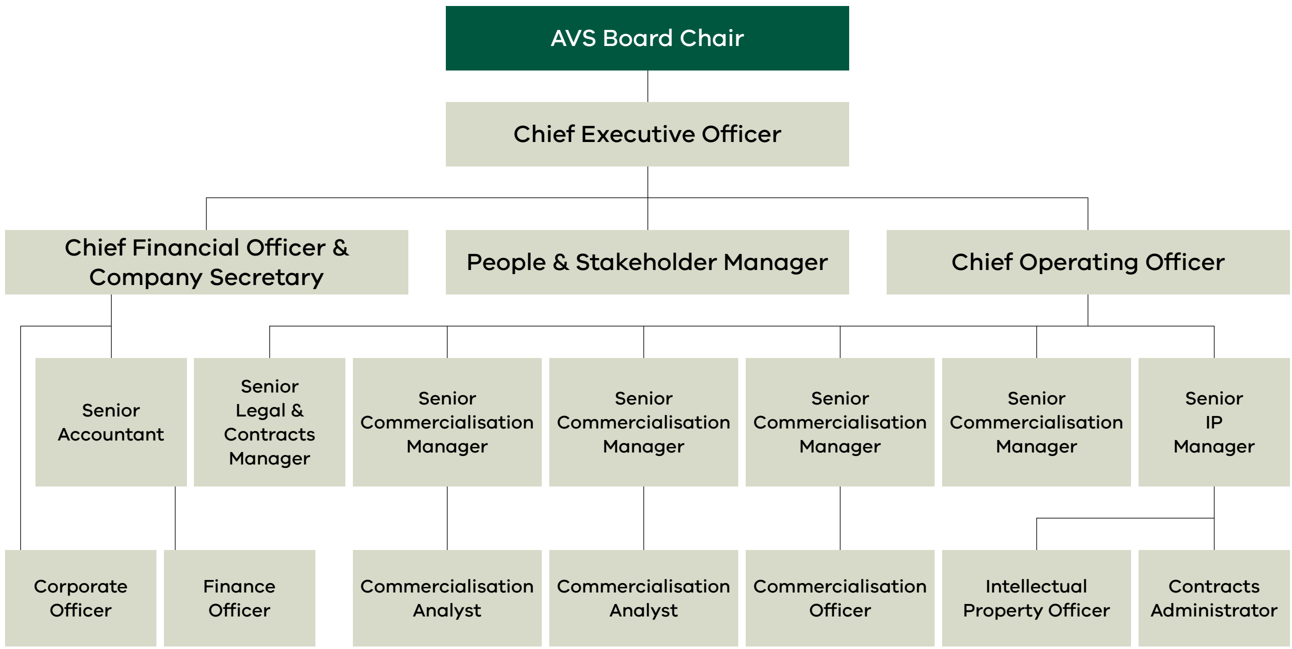
On 15 May 2019, Bruce Lang was appointed as Acting Chief Financial Officer and Company Secretary.

People and Stakeholder Manager

Tenille Saffin was the People and Stakeholder Manager until March 2019. Tenille was responsible for providing specialist advice on a broad range of human resource compliance matters, policies and procedures, which included AVS employment agreements, recruitment, occupational health and safety, learning and development, workplace culture and performance and key stakeholder engagement and feedback procedures.

Corporate governance and organisation structure continued

Figure 5 – AVS Organisational Chart



Employment principles

Employee appointment principles

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

Public sector values and employment principles

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

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

Occupational health and safety

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

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

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

During the 2018–19 financial year, AVS participated in several initiatives to improve the health, wellbeing and safety of staff and quarterly safety audits to identify and address any workplace risks.

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

Corporate governance and organisation structure continued

AVS achieved its health, wellbeing and safety targets for 2018–19 as described in the table below:

2018–19 health, wellbeing and safety targets	Target	Result
Lost time incidents – total	0	0
Accepted WorkCover claims	0	0
Percentage of employees having completed safety and wellbeing training including introductory or refresher course within last 24 months	100%	100%
Safety and wellbeing incidents – investigations begun within two business days of reporting	100%	100%
Percentage of site safety meetings attended by an AVS representative	100%	100%

Legislative framework

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

Corporations Act 2001 (Cth)
AVS is an incorporated entity limited by shares, registered under the provisions of the Corporations Act, which provides the legislative base for the management and operations of the Company.

Public Administration Act 2004 (Vic)
The Public Administration Act incorporates a set of values and principles to support public administration and provides a framework designed to ensure effective and consistent governance across the entire Victorian public sector. The Victorian Public Sector Commission is established under the Act to support its administration and implementation. AVS is classified as a Public Entity under this Act and, by Order in Council dated 25 June 2013, became subject to divisions 2 and 3 of part 5 of the Act and the governance principles contained therein.

Financial Management Act 1994 (Vic)
The Financial Management Act applies to AVS insofar as AVS is a Declared Body under Section 53A of the Act. This requires that the relevant Minister table the Company's annual report in Parliament on an annual basis.

Audit Act 1994 (Vic)
The Audit Act provides for the conduct of efficient and effective financial audits of the Victorian public sector. Under this Act AVS is subject to annual audit by the Auditor General of Victoria. At present the audit of AVS is conducted by McLean Delmo Bentleys under contract to the Auditor General of Victoria.

Privacy and Data Protection Act 2014 (Vic)
The Privacy and Data Protection Act specifies 10 Information Privacy Principles (IPPs). With limited exemptions, all Victorian Government organisations, contracted service providers and local councils must comply with the IPPs.

Protected Disclosure Act 2012 (Vic)
The Protected Disclosure Act was part of a package of integrity reforms introduced by the Victorian Government, which also established the Independent Broad-based Anti-Corruption Commission (IBAC). The Act enables people to make disclosures about improper conduct within the public sector without fear of reprisal. It aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do.

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

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

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

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

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

Independent Broad-Based Anti-Corruption Commission Victoria
Level 1, North Tower
459 Collins Street
Melbourne, VIC 3000
Phone: 1300 735 135
Web: www.ibac.vic.gov.au
Email: (the above website provides a secure email disclosure process)
Mail: IBAC, GPO Box 24234, Melbourne VIC 3000

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

Disclosures under the *Protected Disclosure Act 2012*

Disclosures	2018–19 number	2017–18 number
Number of disclosures made by an individual to the Department and notified to IBAC		
Assessable disclosures	Nil	Nil

Directors' report

The directors of Agriculture Victoria Services Pty Ltd (AVS) present their report together with the consolidated financial statements of AVS and its subsidiary, Phytogene Pty Ltd, for the year ended 30 June 2019 and the independent auditor's report thereon.

Directors

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

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

With the exception of Dr Macleod, who was appointed on 24 August 2018 and remains in office at the date of this report, all directors have been in office since the start of the financial year to the date of this report.

Details of the directors during the financial year, their qualifications, experience and membership of board sub-committees are set out in pages 7-8.

The Company Secretary from 1 July 2018 to 15 May 2019 was Mr Shane Cagney. Mr Bruce Lang has held the office of Company Secretary from 15 May 2019.

Directors' meetings

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

	Board of Directors		Committees of the Board of Directors					
	Full Board		Audit & Risk Management		Investment		Remuneration	
	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held
CL Noble	6	6	–	–	6	6	1	1
RTH Aldous	6	6	–	–	6	6	1	1
SD Andersen	6	6	4	4	6	6	1	1
A Caples	5	6	–	–	5	6	1	1
LC Macleod	6	6	–	–	6	6	1	1
PRE Turvey	5	6	4	4	5	6	1	1

Principal activities

During the year, the principal activities of AVS were:

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

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

Financial performance

A detailed review of financial results is provided in pages 9-12. The net result for the consolidated entity for the year was $4.070 million (2018: $7.052 million).

Directors' report continued

Operational performance
A comprehensive review of operations is provided on page 13.

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

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

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

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

Impact of legislation and other external requirements
In addition to the Corporations Act, AVS is required to comply with additional legislation: these are detailed on page 30. This legislative framework is required given the State of Victoria is the sole shareholder of AVS.

Environmental legislation
AVS operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a state or territory in Australia.

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

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

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

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

Auditor's independence declaration
The auditor's independence declaration is set out on page 39 and forms part of the directors' report for the financial year ended 30 June 2019.

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

Dr Clive Noble
Director
23 August 2019

Ms Sam Andersen
Director
23 August 2019

Annual financial statements 2018-19

Agriculture Victoria Services Pty Ltd (AVS) has presented its audited general purpose financial statements for the financial year ended 30 June 2019 in the following structure to provide users with the information about the AVS stewardship of resources entrusted to it.

Annual financial statements 2018-19 continued

Annual financial statements 2018-19 continued

Directors' declaration

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

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

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

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

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

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

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

Dr Clive Noble
Director
23 August 2019

Ms Sam Andersen
Director
23 August 2019

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

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 2019 • 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 • director's declaration. In my opinion the financial report is in accordance with the *Corporations Act 2001* including: • giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2019 and of their financial performance and cash flows for the year then ended • complying with Australian Accounting Standards and the *Corporations Regulations 2001.*
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the company and the consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Directors' responsibilities for the financial report	The Directors of the company are responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. 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

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.

Auditor's responsibilities for the audit of the financial report (continued)	I communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. I also provide the Directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

MELBOURNE
28 August 2019

Simone Bohan
as delegate for the Auditor-General of Victoria

Auditor-General's Independence Declaration

To the Directors, 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 2019, I declare that, to the best of my knowledge and belief, there have been:

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

MELBOURNE
28 August 2019

Simone Bohan
as delegate for the Auditor-General of Victoria

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

Consolidated comprehensive operating statement

For the financial year ended 30 June 2019

	Notes	2019 $	2018 $
Continuing operations			
Income from transactions			
Revenue from services and royalties	2	24,315,209	27,463,160
Interest revenue	2	826,041	636,349
Total income from transactions		**25,141,250**	**28,099,509**
Expenses from transactions			
Employee expenses	3.2	2,079,712	1,729,148
Depreciation and amortisation	4.1.1 & 4.2.1 & 4.4	139,564	92,714
Interest expense	6.2	1,026	724
Research and development, royalty and patent expenses	3.3	17,084,299	17,699,948
Operating expenses	3.4	1,875,168	1,522,073
Total expenses from transactions		**21,179,770**	**21,044,607**
Net result from transactions (net operating balance)		**3,961,481**	**7,054,902**
Other economic flows included in net result			
Net gain/(loss) on non financial assets [a]	8.1	108,159	(3,124)
Net gain/(loss) on financial instruments [b]	8.1	4,662	-
Other losses from other economic flows	8.1	(4,347)	(72)
Total other economic flows included in net result		**108,474**	**(3,196)**
Net result		**4,069,955**	**7,051,706**
Comprehensive result		**4,069,955**	**7,051,706**

The accompanying notes form part of these financial statements.

Notes:

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

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

Consolidated balance sheet

As at 30 June 2019

	Notes	2019 $	2018 $
Assets			
Financial assets			
Cash and deposits	6.5	43,841,081	36,739,477
Receivables	5.1	4,672,702	3,618,132
Total financial assets		**48,513,783**	**40,357,609**
Non financial assets			
Plant, equipment and motor vehicle	4.1	64,046	45,815
Intangible assets	4.2.2	310,106	286,510
Leasehold improvements	4.4	694,746	122,286
Other non-financial assets	5.3	97,130	93,320
Total non financial assets		**1,166,028**	**547,931**
Total assets		**49,679,811**	**40,905,540**
Liabilities			
Payables	5.2	18,193,794	13,592,027
Borrowings	6.1	50,232	17,755
Other liabilities	6.4	66,118	-
Employee-related provisions	3.2.2	296,543	292,589
Total liabilities		**18,606,687**	**13,902,371**
Net assets		**31,073,124**	**27,003,169**
Equity			
Accumulated surplus		26,073,124	22,003,169
Share capital	8.6	5,000,000	5,000,000
Net worth		**31,073,124**	**27,003,169**

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

For the financial year ended 30 June 2019

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts			
Receipts from customers		26,341,127	27,435,921
Interest received		816,319	583,454
Goods and services tax received from the ATO [(a)]		-	-
Total receipts		**27,157,446**	**28,019,375**
Payments			
Payments to suppliers and employees		(18,145,563)	(17,024,310)
Goods and services tax paid to the ATO [(a)]		(1,313,021)	(1,005,974)
Interest and other costs of finance paid		(1,026)	(724)
Total payments		**(19,459,610)**	**(18,031,008)**
Net cash flows from/(used in) operating activities	6.5.1	**7,697,836**	**9,988,367**
Cash flows from investing activities			
Payment for plant and equipment		-	(3,222)
Payment for leasehold improvements		(586,081)	(122,286)
Net cash flows from/(used in) investing activities		**(586,081)**	**(125,508)**
Cash flows from financing activities			
Repayment of borrowings and finance leases		(10,151)	(7,406)
Net cash flows used in financing activities		**(10,151)**	**(7,406)**
Net increase/(decrease) in cash and cash equivalents		**7,101,604**	**9,855,453**
Cash and cash equivalents at beginning of financial year		36,739,477	26,884,024
Cash and cash equivalents at end of financial year	6.5	**43,841,081**	**36,739,477**

The accompanying notes form part of these financial statements.

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

Consolidated statement of changes in equity

For the financial year ended 30 June 2019

	Accumulated surplus $	Share Capital $	Total $
Balance at 1 July 2017	14,951,463	5,000,000	19,951,463
Net result for the year	7,051,706	-	7,051,706
Balance at 30 June 2018	**22,003,169**	**5,000,000**	**27,003,169**
Net result for the year	4,069,955	-	4,069,955
Balance at 30 June 2019	**26,073,124**	**5,000,000**	**31,073,124**

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. About this report

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

The Company is a private company incorporated under the provisions of the *Corporations Act 2001*. The Government of Victoria beneficially owns 100 per cent of the Company's issued capital with the shareholder being represented through the State Minister for Agriculture. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

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

These consolidated financial statements were authorised for issue by the directors of the Company on 23 August 2019.

1.1 Basis of preparation

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

a. Currency

All figures are denominated in Australian dollars.

b. Historical cost

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

c. 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.

d. 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.

e. Consolidation of Group entities

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

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

The consolidated financial statements do not include separate financial statements for the parent, instead limited financial information of the parent entity is disclosed by way of note in annual financial statements. Accordingly, the consolidated financial statements illustrated in this annual report do not include the separate financial statements of the parent and only include the limited disclosures required by Reg. 2M.3.01 of the Corporations Regulations 2001.

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

f. Judgements, estimates and assumptions

Judgements, estimates and assumptions are required to be made about financial information presented. Significant judgements made in the preparation of these financial statements are disclosed elsewhere in these notes where the terms affected by the judgements are disclosed.

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

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

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

1.2 Compliance information

These consolidated general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other pronouncements of

Notes to the financial statements continued

the Australian Accounting Standards Board. Where applicable, the consolidated general purpose financial statements have also been prepared in accordance with the 2018–19 DTF Model Financial Report.

Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. Funding delivery of our services

Introduction

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

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

Through the provision of expert intellectual property management and technology commercialisation services, AVS helps maximise the adoption and impact of the Department's scientific research discoveries, technologies and capabilities.

In doing so the Company plays a critical role in enabling the Victorian Government to meet its economic development and social objectives.

2.1 Summary of income that funds the delivery of our services

	Consolidated	
	2019 $	2018 $
Revenue from services and royalties		
Income from supply of services	11,267,124	10,801,313
Royalty income	13,048,085	16,661,847
Total revenue from services and royalties	**24,315,209**	**27,463,160**
Interest revenue		
Interest on bank deposits	826,041	636,349
Total interest revenue	**826,041**	**636,349**
Total income from transactions	**25,141,250**	**28,099,509**

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

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

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

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

Royalty income is recognised after the agricultural season and upon completion by licensee of annual licence reports, as required under all licence agreements.

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

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

Notes to the financial statements continued

3. The cost of delivering services

Introduction

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

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

Structure

3.1 Expenses incurred in delivery of services

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

	Notes	Consolidated 2019 $	2018 $
Employee benefit expenses	3.2	2,079,712	1,729,148
Research and development, royalty and patent expenses	3.3	17,084,299	17,699,948
Operating expenses	3.4	1,875,168	1,522,073
Total expenses incurred in delivery of services		**21,039,179**	**20,951,169**

3.2 Employee benefit expenses

3.2.1 Employee benefits in the comprehensive operating statement

	Consolidated 2019 $	2018 $
Salaries and wages, annual leave and long service leave	1,906,261	1,585,272
Defined contribution superannuation expense	170,948	131,349
Defined benefit superannuation expense	2,503	12,527
Total employee benefit expenses	**2,079,712**	**1,729,148**

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

The amount recognised in the comprehensive operating statement for superannuation is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Company does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees. Instead, the Department of Treasury and Finance (DTF) discloses in its annual financial statements the net defined benefit cost related to the members of these plans as an administered liability (on behalf of the state as the sponsoring employer).

Notes to the financial statements continued

3.2.2 Employee benefits in the balance sheet

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

	Consolidated	
	2019 $	2018 $
Current provisions:		
Annual leave		
Unconditional and expected to settle within 12 months	119,343	115,531
Long service leave		
Unconditional and expected to settle within 12 months	52,394	6,772
Unconditional and expected to settle after 12 months	94,352	124,034
Provisions for on costs		
Unconditional and expected to settle within 12 months	8,334	1,077
Unconditional and expected to settle after 12 months	15,008	19,730
Total current provisions for employee benefits	**289,431**	**267,144**
Non current provisions:		
Employee benefits	6,136	21,953
On costs	976	3,492
Total non current provisions for employee benefits	**7,112**	**25,445**
Total provisions for employee benefits	**296,543**	**292,589**

Reconciliation of movement in provisions

	Consolidated	
	2019 $	2018 $
Opening balance	**292,589**	**302,464**
Additional provisions recognised	78,233	113,501
Reductions arising from payments/other sacrifices of future economic benefits	(69,932)	(123,304)
Unwind of discount and effect of changes in the discount rate	(4,347)	(72)
Closing balance	**296,543**	**292,589**
Current	289,431	267,144
Non current	7,112	25,445

Notes to the financial statements continued

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

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

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

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

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

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

The components of this current LSL liability are measured at:

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

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

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

3.2.3 Superannuation contributions

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

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

	Consolidated Paid contribution for the year		Consolidated Contribution outstanding at year end	
	2019 $	2018 $	2019 $	2018 $
Defined benefit plans [(a)]				
State Superannuation Fund	1,877	11,130	626	1,397
Defined contribution plans				
VicSuper	83,205	57,475	9,290	5,092
Other	73,281	61,903	5,172	6,878
Total	**158,363**	**130,508**	**15,088**	**13,367**

Note:

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

Notes to the financial statements continued

3.3 Research and development, royalty and patent expenses

	Consolidated 2019 $	2018 $
Contract research and development project expenses	8,181,113	7,852,724
Royalty expenses	6,723,782	8,050,216
Patent expenses	2,179,404	1,797,008
Total research and development, royalty and patent expenses	**17,084,299**	**17,699,948**

Contract research and development project expenses include costs for research and development conducted by the Department of Jobs, Precincts and Regions (the Department, DJPR). It is recognised as an expense in the period in which it is incurred.

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

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

3.4 Operating expenses

	Consolidated 2019 $	2018 $
Rent and utilities	167,108	276,875
Insurance	85,840	92,127
Legal	829,227	456,414
Consultants	246,626	99,491
Audit services	66,415	48,320
Other borrowing costs (other than interest)	4,506	4,117
Recruitment costs	30,653	145,718
Directors fees	97,287	97,287
Relocation cost	9,436	65,042
Travel	43,642	46,966
Training	34,353	45,717
Subscriptions	23,478	29,862
Other operating expenses	236,597	114,137
Total operating expenses	**1,875,168**	**1,522,073**

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

Notes to the financial statements continued

4. Key assets available to support output delivery

Introduction

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

Significant judgement: classification of investments as 'key assets'

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

Fair value measurement

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

Structure

4.1 Plant, equipment and vehicles

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Plant and equipment at fair value	2,659	2,659	(2,588)	(2,568)	71	91
Motor vehicles at fair value	121,753	96,327	(57,778)	(50,603)	63,975	45,724
Net carrying amount	**124,412**	**98,986**	**(60,366)**	**(53,171)**	**64,046**	**45,815**

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

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

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

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2019.

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

Notes to the financial statements continued

4.1.1 Depreciation for the period

	Consolidated 2019 $	2018 $
Plant and equipment	21	28
Motor vehicles	23,746	21,358
Total depreciation	**23,767**	**21,386**

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

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

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

Asset	Useful life (years)
Vehicles (including leased assets)	3 to 5
Plant and equipment	3 to 10

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

In the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced (unless a specific decision to the contrary has been made).

4.1.2 Reconciliation of movements in carrying amount of plant, equipment and vehicles

	Plant, equipment and vehicles at fair value 2019 $	2018 $
Opening balance	**45,815**	**82,599**
Additions	59,356	-
Disposals	(17,358)	(15,398)
Depreciation	(23,767)	(21,386)
Closing balance	**64,046**	**45,815**

Note: This reconciliation represents movements in carrying amount of assets held by the consolidated entity.

Notes to the financial statements continued

4.2 Intangible assets

Intangible produced assets with finite useful lives are amortised as an expense from transactions on a systematic (typically straight line) basis over the asset's useful life. Amortisation begins when the asset is available for use; that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Significant intangible assets

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

The carrying amount of Primary Oilseeds is $201,579 (2018: $159,983). Its useful life is 18 years and will be fully amortised in 2022. The amortisation method remains unchanged. The amortisation rate and period have been revised to account for the extension of useful life by one year to 30 June 2022.

The carrying amount of Holl Canola is $108,527 (2018: $126,527). Its useful life is 19 years and will be fully amortised in 2026. No change is required in 2018–19 financial year.

4.2.1 Amortisation for the period

	Consolidated	
	2019 $	2018 $
Intangible produced assets	85,193	71,329
Total amortisation	**85,193**	**71,329**

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

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

Notes to the financial statements continued

4.2.2 Reconciliation of movements in carrying amount of intangible assets

	Primary Oilseeds development program (a)		HOLL Canola (a)		Computer software		Total	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Gross carrying amount								
Opening balance	1,506,677	1,506,677	300,000	300,000	15,796	15,796	1,822,473	1,822,473
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Closing balance	1,506,677	1,506,677	300,000	300,000	15,796	15,796	1,822,473	1,822,473
Accumulated depreciation, amortisation and impairment								
Opening balance	(1,346,694)	(1,293,365)	(173,473)	(155,473)	(15,796)	(15,796)	(1,535,963)	(1,464,634)
Amortisation	(67,193)	(53,329)	(18,000)	(18,000)	-	-	(85,193)	(71,329)
Reversals of impairment losses charged to net result[b]	(108,790)	-	-	-	-	-	(108,790)	-
Written back on disposal	-	-	-	-	-	-	-	-
Closing balance	(1,305,097)	(1,346,694)	(191,473)	(173,473)	(15,796)	(15,796)	(1,512,367)	(1,535,963)
Net book value at end of financial year	201,580	159,983	108,527	126,527	-	-	310,106	286,510

Notes:

(a) The Primary Oilseeds and HOLL Canola development programs represent internally generated intangible assets that have arisen from development expenditure.

(b) Reversal of impairment is included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement.

Initial recognition

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

Subsequent measurement

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

Impairment of intangible assets

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

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

An impairment loss provision balance for Primary Oilseeds in the amount of $108,790 was recorded at 30 June 2017. This balance ($108,790) was reversed at 30 June 2019 after assessment that the improved economic performance of the Primary Oilseeds indicates that the impairment loss is no longer required.

Notes to the financial statements continued

4.3 Interests in subsidiary entity

	Ordinary share entity Interest	
	2019 %	2018 %
Controlled entities		
Phytogene Pty Ltd	**100**	**100**

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

The Company owns Phytogene share capital of $855,002. The investment is measured at historical cost and no impairment has been identified for year ended 30 June 2019.

Please refer to Note 1.1 for the principles of consolidation and Note 8.6 (parent entity information) for details of the investment in Phytogene Pty Ltd share capital (other financial assets $855,002).

4.4 Leasehold improvements
4.4.1 Amortisation for the period

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2019 $	2018 $	2019 $	2018 $	2019 $	2018 $
Leasehold improvements	725,350	122,286	30,604	-	694,746	122,286
Net carrying amount	**725,350**	**122,286**	**30,604**	**-**	**694,746**	**122,286**

4.4.2 Reconciliation of movements in carrying amount of leasehold improvements

	Leasehold Improvements at fair value	
	2019 %	2018 %
Opening balance	**122,286**	**122,286**
Additions	603,064	-
Amortisation	(30,604)	-
Closing balance	**694,746**	**122,286**

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

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

In the prior financial year (2017–18), leasehold improvements were classified as work-in-progress (current asset) with a value of $122,286 and were not depreciated during the prior year. For the current financial year (2018–19), another $603,064 was recognised in work-in-progress.

Upon completion and hand over of the leasehold improvement assets in November 2018, the work-in-progress asset ($725,350 in total) has been reclassified as 'leasehold improvements at cost' (non-current asset). Leasehold improvements are amortised over the term of the lease (10 years).

Notes to the financial statements continued

5. Other assets and liabilities

Introduction

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

Structure

5.1 Receivables

	Consolidated	
	2019 $	2018 $
Current receivables		
Contractual		
Sale of services and royalties	3,607,983	2,627,994
Accrued interest income	180,767	171,045
Other receivables	29,936	77,590
Amounts owed from DJPR	37,886	640,139
Statutory		
GST input tax credit recoverable	816,130	101,364
Total current receivables	**4,672,702**	**3,618,132**

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

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

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. Currently 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 they are stated at the carrying amounts as indicated.

Notes to the financial statements continued

5.2 Payables

	Consolidated 2019 $	2018 $
Current payables		
Contractual		
Supplies and services	414,356	130,256
Amounts payable to DJPR	15,201,894	11,324,918
Other payables and accrued expenses	1,806,749	1,906,674
Unearned income	501,750	-
Statutory		
FBT payable	11,784	6,170
GST payable	-	150,345
Other taxes payable	257,261	73,664
Total current payables	**18,193,794**	**13,592,027**

Payables consist of:

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

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

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

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

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

	Carrying amount $	Nominal amount $	Maturity dates: Less than 1 month $	1–3 months $	3 months – 1 year $	1+ years $
2019						
Supplies and services	414,356	414,356	410,234	-	4,122	-
Amounts payable to DJPR	15,201,894	15,201,894	3,628,574	11,573,320	-	-
Unearned income	501,750	501,750	501,750	-	-	-
Other payables	1,806,749	1,806,749	1,806,749	-	-	-
Total	**17,924,749**	**17,924,749**	**17,910,679**	**11,573,320**	**4,122**	**-**
2018						
Supplies and services	130,256	130,256	-	-	-	-
Amounts payable to DJPR	11,324,918	11,324,918	11,176,090	135,078	13,750	-
Other payables	1,906,674	1,906,674	1,906,674	-	-	-
Total	**13,361,848**	**13,361,848**	**13,082,764**	**135,078**	**13,750**	**-**

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

Notes to the financial statements continued

5.3 Other non-financial assets

	Consolidated 2019 $	2018 $
Current other assets		
Prepayments	97,130	93,320
Total current other assets	**97,130**	**93,320**

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

6. Financing our operations

Introduction

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

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

Structure

6.1 Borrowings

	Consolidated 2019 $	2018 $
Current borrowings		
Finance lease liabilities [(a)]	10,533	17,755
Total current borrowings	**10,533**	**17,755**
Non current borrowings		
Finance lease liabilities	39,699	-
Total non current borrowings	**39,699**	**-**
Total borrowings	**50,232**	**17,755**

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

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

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

Notes to the financial statements continued

6.2 Interest expense

	Consolidated 2019 $	2018 $
Interest expense		
Interest on finance lease	1,026	724
Total interest expense	**1,026**	**724**

Interest expense incurred in connection with the borrowing of funds is the interest component of finance lease repayments.

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

6.3 Finance leases

	Minimum future lease payments (a)		Present value of minimum future lease payments	
	2019 $	2018 $	2019 $	2018 $
Finance lease liabilities payable (b)				
Not longer than 1 year	12,010	18,021	12,010	18,021
Longer than 1 year but not longer than 2 years	12,010	-	12,010	-
Longer than 2 years	28,921	-	28,921	-
Minimum future lease payments				
Less future finance charges	(2,709)	(266)	(2,709)	(266)
Present value of minimum lease payments included in the financial statements as:	**50,232**	**17,755**	**50,232**	**17,755**
Current borrowings lease liabilities (Note 6.1)			10,533	17,755
Non current borrowings lease liabilities (Note 6.1)			39,699	-
Total			**50,232**	**17,755**

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

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

Notes to the financial statements continued

6.4 Operating leases incentives

	Consolidated 2019 $	2018 $
Other liability		
Lease incentive liability	66,118	-
Total other liability	**66,118**	**-**

The incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form, or the timing of payments.

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

6.5 Cash flows information and balances

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

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

	Consolidated 2019 $	2018 $
Cash at bank and on hand	4,586,709	3,725,759
Deposits at call	1,534,122	1,530,038
Deposits < 90 days	37,720,250	31,483,680
Balance as per cash flow statement	**43,841,081**	**36,739,477**

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

	Consolidated 2019 $	2018 $
Net result for the period	**4,069,955**	**7,051,706**
Non cash movements		
(Gain)/loss on sale or disposal of non current assets	631	3,124
Depreciation and amortisation of non current assets	139,564	92,714
Impairment loss/(reversal) of intangible assets	(108,159)	-
Movements in assets and liabilities		
(Increase)/decrease in receivables	(1,058,380)	(2,123,465)
Increase/(decrease) in payables	4,584,154	4,974,163
Increase/(decrease) in provisions	3,954	(9,875)
Increase/(decrease) in other liability	66,118	-
Net cash flows from operating activities	**7,697,836**	**9,988,367**

Notes to the financial statements continued

Non-cash financing activities
During the year, motor vehicles were acquired through finance leases. The acquisition and finance lease of the motor vehicles are not reflected in the cash flow statement.

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

a) Research expenditure and lease commitments

Nominal amounts 2019	Less than 1 year $	1–5 years $	5+ years $	Total $
Research expenditure commitments payable	1,881,000	357,500	–	2,238,500
Operating lease commitments payable	122,074	488,294	528,925	1,139,293
Total commitments (inclusive of GST)	**2,003,074**	**863,794**	**528,925**	**3,377,793**
Less GST recoverable	(182,098)	(76,890)	(48,084)	(307,072)
Total commitments (exclusive of GST)	**1,820,976**	**768,904**	**480,841**	**3,070,721**

Nominal amounts 2018	Less than 1 year $	1–5 years $	5+ years $	Total $
Research expenditure commitments payable	1,349,150	1,045,000	–	2,394,150
Operating lease commitments payable	93,720	702,900	609,180	1,405,800
Total commitments (inclusive of GST)	**1,442,870**	**1,747,900**	**609,180**	**3,799,950**
Less GST recoverable	(131,170)	(158,900)	(55,380)	(345,450)
Total commitments (exclusive of GST)	**1,311,700**	**1,589,000**	**553,800**	**3,454,500**

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

Operating lease commitments represent the rental of the Group's new office premises.

b) Capital commitments
Capital commitments reported in the prior financial year represent the leasehold improvements in progress for the Group's new premises. On completion of construction, a total of $725,350 was capitalised in leasehold improvements (refer to Note 4.4).

There are no new capital commitments as at 30 June 2019 (2018: $607,079).

7. Risks, contingencies and valuation judgements

Introduction

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

Structure

7.1 Financial instruments specific disclosures

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

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

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

Categories of financial assets under AASB 9

Financial assets at amortised cost

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

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

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

The Group recognises the following assets in this category:

- cash and deposits
- receivables
- term deposits.

Financial assets at fair value through other comprehensive income

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

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

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

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

Financial assets at fair value through net result

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

Categories of financial assets previously under AASB 139

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

Notes to the financial statements continued

The Group recognises the following assets in this category:

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

Categories of financial liabilities under AASB 9 and previously under AASB 139

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

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

- payables (excluding GST payables)
- borrowings (finance lease liabilities)

Notes to the financial statements continued

7.1.1 Financial instruments: categorisation

	2019				2018			
	Cash and deposits $	Financial assets at amortised cost (AC) $	Financial liabilities at amortised cost (AC) $	Total $	Cash and deposits $	Financial assets at amortised cost (AC) $	Financial liabilities at amortised cost (AC) $	Total $
Contractual financial assets								
Cash and deposits	43,841,081	-	-	43,841,081	36,739,477	-	-	36,739,477
Receivables [(a)]								
Sale of services and royalties	-	3,607,983	-	3,607,983	-	2,627,994	-	2,627,994
Accrued interest income	-	180,767	-	180,767	-	171,045	-	171,045
Other receivables	-	29,936	-	29,936	-	77,590	-	77,590
Amounts owed from DJPR	-	37,886	-	37,886	-	640,139	-	640,139
Total contractual financial assets	**43,841,081**	**3,856,572**	**-**	**47,697,653**	**36,739,477**	**3,516,768**	**-**	**40,256,245**
Contractual financial liabilities								
Payables (a)								
Supplies and services	-	-	414,356	414,356	-	-	130,256	130,256
Amounts payable to DJPR	-	-	15,201,894	15,201,894	-	-	11,324,918	11,324,918
Other payables	-	-	1,806,749	1,806,749	-	-	1,906,674	1,906,674
Borrowings								
Finance lease liabilities	-	-	50,232	50,232	-	-	17,755	17,755
Total contractual financial liabilities	**-**	**-**	**17,473,231**	**17,473,231**	**-**	**-**	**13,379,603**	**13,379,603**

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

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

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

Notes to the financial statements continued

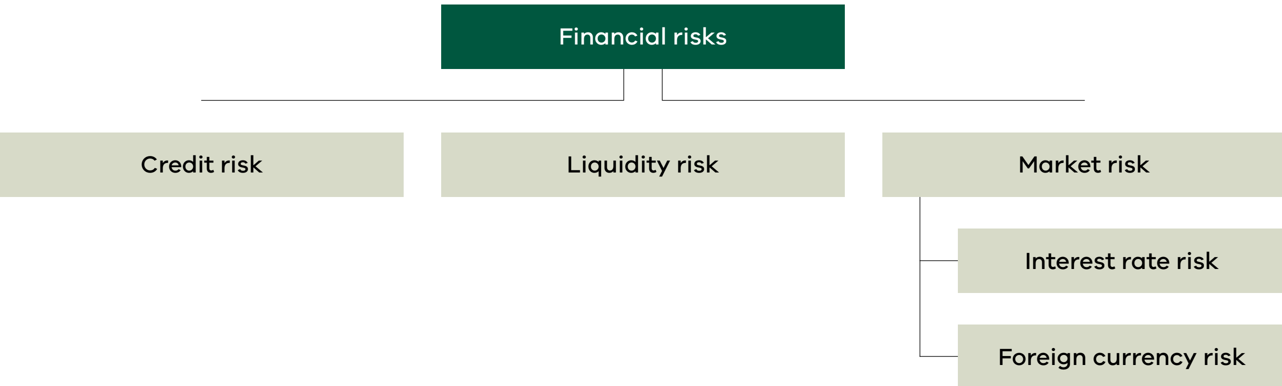
2018	Net holding gain/(loss)	Total interest income/ (expense)	Fee income/ (expense)	Impairment loss	Total
Contractual financial liabilities					
Financial liabilities at amortised cost	-	-	-	-	-
Total contractual financial liabilities	**-**	**-**	**-**	**-**	**-**

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

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

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

7.1.3 Financial risk management objectives and policies



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

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

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

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

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

Financial instruments: credit risk

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

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

In addition, the consolidated entity does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that

Notes to the financial statements continued

are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Company's policy is to only deal with banks with high credit ratings.

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

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

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

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

The Group has conducted an impairment assessment of cash and cash equivalents, contractual receivables under the AASB 9 'expected credit loss' (ECL) model. There are no contractual receivables that will not be settled within the next 12 months and no impairment loss was identified in 2018–19.

Financial instruments: liquidity risk

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

The consolidated entity is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet. The consolidated entity's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from cash and cash equivalents.

Financial instruments: market risk

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

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)
- proportional exchange rate movement of 15 per cent down and 15 per cent up against the US dollar, from the year end rate of 0.70 (2018: 0.90).

Interest rate risk

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

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

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

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

Notes to the financial statements continued

Interest rate exposure of financial instruments for the consolidated entity 2019

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

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

Notes to the financial statements continued

Interest rate exposure of financial instruments for the consolidated entity 2018

2018	Weighted average interest rate %	Carrying amount $	Fixed interest rate $	Variable interest rate $	Non interest bearing $
Financial assets					
Cash and deposits					
Cash at bank	0.05	3,725,759	-	3,725,759	-
Deposits at call	1.45	1,530,038	-	1,530,038	-
Deposits < 90 days	1.97	31,483,680	185,000	31,298,680	-
Receivables [(a)]					
Sale of services and royalties	-	2,627,994	-	-	2,627,994
Accrued interest income	-	171,045	-	-	171,045
Other receivables	-	77,590	-	-	77,590
Amounts owed from DEDJTR	-	640,139	-	-	640,139
Total financial assets	**-**	**40,256,245**	**185,000**	**36,554,477**	**3,516,768**
Financial liabilities					
Payables [(a)]					
Supplies and services	-	130,256	-	-	130,256
Amounts payable to DEDJTR	-	11,324,918	-	-	11,324,918
Other payables	-	1,906,674	-	-	1,906,674
Borrowings					
Finance lease liabilities	3.25	17,755	17,755	-	-
Total financial liabilities		**13,379,603**	**17,755**	**-**	**13,361,848**

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

Interest rate risk sensitivity for the consolidated entity

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

Notes to the financial statements continued

2018	Carrying amount	-100 basis points Net result	+100 basis points Net result
Financial assets			
Cash and deposits			
Cash at bank	3,725,759	(37,258)	37,258
Deposits at call	1,530,038	(15,300)	15,300
Deposits < 90 days	31,483,680	(314,837)	314,837
Total impact	**36,739,477**	**(367,395)**	**367,395**

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

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

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

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

The consolidated entity's sensitivity to foreign currency movements is set out below (2018: nil).

Foreign exchange risk sensitivity

2019	Carrying amount	-15% Net result	+15% Net result
Contractual financial liabilities			
Payables [(a)]	65,221	(9,783)	9,783
Total impact	**65,221**	**(9,783)**	**9,783**

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

Notes to the financial statements continued

7.2 Contingent assets and contingent liabilities

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

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

The consolidated entity entered a lease agreement with Plenary Research Pty Ltd on 12 November 2018. The agreement indicates that the entity must deliver to the landlord a bank guarantee in the sum of $35,000 to secure the landlord against loss or damage resulting from an 'event of default'.

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

7.3 Fair value determination

Significant judgement: fair value measurements of assets and liabilities

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

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

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result
- plant, equipment and vehicles.

In addition, the fair values of other assets and liabilities that are carried at amortised cost also need to be determined for disclosure purposes.

The Group determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

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

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- 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 2018–19 financial year (2017–18: nil).

How this section is structured

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

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

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

Notes to the financial statements continued

7.3.1 Fair value determination of financial assets and liabilities

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

These financial instruments include:

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

7.3.2 Fair value determination of non-financial assets

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

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

Fair value measurement hierarchy

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

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

Notes to the financial statements continued

2018	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using: Level 1 (a)	Level 2 (a)	Level 3 (a)
Plant, equipment and vehicles at fair value				
Vehicles	45,724	n.a.	-	45,724
Plant and equipment	91	n.a.	-	91
Intangible assets	286,510			286,510
Total non-financial assets at fair value	**332,325**	**n.a.**	**-**	**332,325**

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

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

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

Leasehold improvements are valued using the depreciated replacement cost method. Upon completion and hand over of the leasehold improvement assets in November 2018, leasehold improvements are capitalised at cost as a non-current asset. Leasehold Improvements are amortised over the term of the lease.

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

Description of significant unobservable inputs to Level 3 valuations

2017 and 2018	Valuation technique (a)	Significant unobservable inputs (a)
Vehicles	Current replacement cost	Cost per unit Useful life of vehicles
Plant and equipment	Current replacement cost	Cost per unit Useful life of plant and equipment
Leasehold improvement	Current replacement cost	Cost per unit The remaining term of the lease
Intangible assets	NPV of future cash flow	Book value NPV of future cash flow

There were no changes in valuation techniques throughout the period to 30 June 2019.

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

The significant unobservable inputs for the above assets have remained unchanged since June 2018.

Notes to the financial statements continued

8. Other disclosures

Introduction

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

Structure

8.1 Other economic flows included in net result

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

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates
- the reversal of an asset impairment; and
- transfer of amounts from the reserves to accumulated surplus or net result due to a disposal or derecognition or reclassification.

	2019 $	2018 $
Net gain/(loss) on non financial assets		
Reversal of impairment of intangible assets [a]	108,790	-
Net gain/(loss) on disposal of property plant and equipment	(631)	(3,124)
Total net gain/(loss) on non financial assets	**108,159**	**(3,124)**
Net gain/(loss) on financial instruments		
Net FX gain/(loss) arising from foreign cash and transaction	4,662	-
Total net gain/(loss) on financial instruments	**4,662**	**-**
Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability [b]	(4,347)	(72)
Total other gains/(losses) from other economic flows	**(4,347)**	**(72)**

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

Notes to the financial statements continued

8.2 Responsible persons

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

Responsible minister

The responsible minister from 1 July 2018 to 30 October 2018 was the Minister for Agriculture, the Hon Jaala Pulford MLC. From 14 December 2018 to 30 June 2019, the responsible minister was the Minister for Agriculture, the Hon. Jaclyn Symes.

Remuneration of responsible minister

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

The minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' financial report.

Responsible persons

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

Dr C Noble (AVS Chairman and Phytogene Director)	1 July 2018 to 30 June 2019
Dr L Macleod (AVS Director)	1 July 2018 to 30 June 2019
Dr R Aldous (AVS Director)	1 July 2018 to 30 June 2019
Ms S Andersen (AVS Director)	1 July 2018 to 30 June 2019
Dr A Caples (AVS Director)	1 July 2018 to 30 June 2019
Mr P Turvey (AVS Director and Phytogene Chairman)	1 July 2018 to 30 June 2019
Prof. G Spangenberg (Phytogene Director)	1 July 2018 to 30 June 2019
Mr D Liesegang (AVS CEO and Phytogene EO)	1 July 2018 to 30 June 2019

Remuneration of directors and accountable officers

Remuneration received or receivable by the board of directors in connection with the management of the Company during the reporting period was in the range: $19,000 – $29,000 ($19,000 – $29,000 in 2017–18).

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

Remuneration received or receivable by the accountable officer in connection with management of the Group during the reporting period was in the range: $290,000 to $300,000 ($280,000 to $290,000 in 2017–18).

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

8.3 Remuneration of executives

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

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

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

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

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

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

Notes to the financial statements continued

Remuneration of executive officers (including key management personnel disclosed in Note 8.4)	Total remuneration 2019 $	2018 $
Short-term employee benefits	575,141	511,515
Post-employment benefits	53,431	48,205
Other long-term benefits	55,955	56,098
Termination benefits	11,243	
Total remuneration [(a)]	**695,770**	**615,818**
Total number of executives	**5**	**5**
Total annualised employee equivalents [(b)]	**3**	**3**

(a) The total number of executive officers includes persons who meet the definition of key management personnel of the entity under AASB 124 Related Party Disclosures and are also 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.

Several factors affected total remuneration payable to executives over the year. Some executive officers resigned and others commenced.

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

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

Dr C Noble (AVS Chairman and Phytogene Director)	1 July 2018 to 30 June 2019
Dr L Macleod (AVS Director)	1 July 2018 to 30 June 2019
Dr R Aldous (AVS Director)	1 July 2018 to 30 June 2019
Ms S Andersen (AVS Director)	1 July 2018 to 30 June 2019
Dr A Caples (AVS Director)	1 July 2018 to 30 June 2019
Mr P Turvey (AVS Director and Phytogene Chairman)	1 July 2018 to 30 June 2019
Prof. G Spangenberg (Phytogene Director)	1 July 2018 to 30 June 2019
Mr D Liesegang (AVS CEO and Phytogene EO)	1 July 2018 to 30 June 2019

Notes to the financial statements continued

Compensation of key management personnel	Consolidated 2019 $	2018 $
Short-term employee benefits	316,596	316,465
Post-employment benefits	29,733	30,064
Other long-term benefits	52,865	53,374
Total remuneration [(a) (b) (c)]	**399,194**	**399,903**

Note: (a) The remuneration paid to directors is discussed in Note 8.2 and the remuneration paid to executives is discussed in Note 8.3.
(b) No remuneration paid to directors of the subsidiary.
(c) No remuneration paid to the two directors employed by the Victorian Public Service.

Transactions and balances with key management personnel and other related parties
The Group's employment processes occur on terms and conditions consistent with the *Public Administration Act 2004* and codes of conduct and standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

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

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

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

8.5 Significant commercial transactions with the State of Victoria

While the Group is a *Corporations Act 2001* entity, the Group 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 2019 the Victorian Government's Department of Jobs, Precincts and Regions (DJPR) was the major supplier and customer of services to the Group. These services were provided on a normal commercial basis. The value of transactions between the Company and related parties for the financial year were as follows:

	Consolidated 2019 $	2018 $
Revenues Received from the DJPR	2,673,289	2,039,646
Expenses Paid to the DJPR	5,652,343	10,093,367
Receivables Receivable from the DJPR	37,886	640,139
Payables Payable to the DJPR	15,201,894	11,324,918

Notes to the financial statements 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 financial statements. Refer to note 1.1 for a summary of the significant accounting policies relating to the Group.

Investments in subsidiary

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

Balance sheet	2019 $	2018 $
Assets		
Financial assets		
Cash and deposits	43,708,369	36,537,735
Receivables	4,771,804	3,709,993
Other financial assets	855,002	855,002
Total financial assets	**49,335,175**	**41,102,730**
Non financial assets		
Plant, equipment and motor vehicle	64,046	45,815
Intangible assets	310,106	286,510
Leasehold improvements in progress	694,746	122,286
Total non financial assets	**1,068,898**	**454,611**
Total assets	**50,404,073**	**41,557,341**
Liabilities		
Payables	18,183,340	13,575,427
Borrowings	50,232	17,755
Other liability	66,118	-
Employee-related provisions	296,543	292,589
Total liabilities	**18,596,233**	**13,885,771**
Net assets	**31,807,840**	**27,671,571**
Equity		
Accumulated surplus/(deficit)	26,807,840	22,671,571
Share capital	5,000,000	5,000,000
Net worth	**31,807,840**	**27,671,571**

Profit and loss statement	2019 $	2018 $
Net result from transactions (net operating balance)	4,027,782	7,113,364
Other economic flows included in net result	108,487	(3,196)
Total comprehensive result	**4,136,269**	**7,110,168**

Contingent assets and liabilities of the parent entity

The parent entity provides a bank guarantee in the sum of $35,000 to Plenary Research Pty Ltd (the landlord) under a lease agreement that was signed on 12 November 2018. It is to secure the landlord against loss or damage resulting from an 'event of default'.

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

Capital commitments of the parent entity

There are no capital commitments as at 30 June 2019 (2018: $607,079).

Share capital

5,000,000 (2018: 5,000,000) fully paid ordinary shares $5,000,000 in 2019 (2018: $5,000,000).

Notes to the financial statements continued

8.7 Remuneration of auditors

	Consolidated	
	2019 $	2018 $
Victorian Auditor General's Office		
Audit the financial statements	43,000	25,000
Internal Audit Services		
HLB Mann Judd Pty Ltd	16,415	16,520
Other non audit services [(a)]	-	-
Total remuneration of auditors	**59,415**	**41,520**

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

8.8 Subsequent events

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

8.9 Other accounting policies and presentation of financial statements

Contributions by owners

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

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

Foreign currency balances/transactions

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

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

Comprehensive operating statement

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

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

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

Balance sheet

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

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

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

Cash flow statement

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

Statement of changes in equity

The statement of changes in equity presents

Notes to the financial statements continued

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

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

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

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

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

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

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

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

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

AASB 9 introduces a major change to hedge accounting. However, the consolidated entity follows the Department's policy as good practice not to apply hedge accounting.

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

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

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

The consolidated entity's accounting policies for financial assets and liabilities are set out in Note 7.1.1.

8.11 Australian Accounting Standards issued that are not yet effective
The following AASs become effective for reporting periods commencing after 1 January 2019:
- AASB 16 *Leases*
- AASB 1058 *Income of Not-for-profit Entities*
- AASB 15 *Revenue from Contract with Customers*.

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

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

AASB 16 also requires the lessees to separately recognise the interest expense on the lease liability and the

Notes to the financial statements continued

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

Peppercorn leases

AASB 1058 requires the accounting for leases with significantly below-market terms and conditions (i.e. peppercorn leases). For such leases, an entity is required to recognise the RoU asset at fair value in accordance with AASB 13 *Fair Value Measurement* and the lease liability as per AASB 16. The resulting difference between the asset and the liability is recognised immediately as income. However, AASB 2018-8 introduced a temporary exemption, allowing NFPs to measure the RoU asset under a below-market value lease as being equal to the value of the lease liability.

The Group has performed an impact assessment of both AASB 16 and AASB 1058 and determined that there are no peppercorn leases.

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

The Group will apply the standard using a modified approach to calculate the outstanding liability for existing operating leases using the incremental borrowing rate at the date of transition to measure the RoU asset at an amount equal to the liability, with no restatement of comparative information.

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

The Group has performed an impact assessment of AASB 16 on the sub-sublease for accommodation with Plenary Research Pty Ltd. It indicates that the contract does contain a lease. In accordance with AASB 16, the Group will recognise in the balance sheet a RoU asset and corresponding lease liability. Interest expenses and amortisation expenses will replace operating lease expenditure in the income statement.

The potential impact in the initial year of application has been estimated at the following approximate values:
- increase in RoU ($792K)
- increase in related amortisation ($79K)
- increase in lease liability ($792K)
- increase in related interest ($55K) calculated using index method
- decrease in rental expense ($134K).

Revenue and income

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

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

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

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

The Group has performed an impact assessment of AASB 15 and AASB 1058 on all agreements. The potential impact for each major class of revenue and income in the initial year of application has been estimated as follows:
- Service fees to DJPR – no change.
- Royalty and licence fees revenue – no change.
- Impact on project income – project income is offset by the cost of research services provided by DJPR. Whilst there may be some minor changes in the distribution of revenue recognition in subsequent years, this will be mirrored by corresponding changes in expenditure. Hence there will be no impact on AVS comprehensive result in the operating statement.

SUMMARY OF NEW/REVISED ACCOUNTING STANDARDS EFFECTIVE FOR CURRENT AND FUTURE REPORTING PERIODS

Current reporting period

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

Notes to the financial statements continued

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

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

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

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

Topic[(a)]	Key requirements	Effective date
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet, which has an impact on net debt.	1 January 2019
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 *Amendments to Australian Accounting Standards – effective date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2019
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian implementation guidance for not-for-profit entities*	This standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: • require non-contractual receivable arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments; and clarifies circumstances when a contract with a customer is within the scope of AASB 15.	1 January 2019
AASB 2018-4 *Amendments to Australian Accounting Standards – Australian implementation guidance for not-for-profit public-sector licensors*	AASB 2018-4 provides the following guidance: • matters to consider in distinguishing between a tax and a licence, with all taxes being accounted for under AASB 1058 • IP licences are to be accounted for under AASB 15, and • non-IP, such as casino licences, are to be accounted for in accordance with the principles of AASB 15, after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16.	1 January 2019

Notes to the financial statements continued

Topic[a]	Key requirements	Effective date
AASB 1058 *Income of Not-for-Profit Entities*	This standard will replace AASB 1004 *Contributions* and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. The restructure of administrative arrangement will remain under AASB 1004.	1 January 2019
AASB 2018-8 *Amendments to Australian Accounting Standards – Right of use asset*	This standard amends various AASB standards to provide an option for not-for-profit entities to not apply the fair value initial measurement requirements to a class or classes of right of use assets arising under leases with significantly below-market terms and conditions principally to enable the entity to further its objectives. This standard also adds additional disclosure requirements to AASB 16 for not-for-profit entities that elect to apply this option.	1 January 2019
AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a business*	This standard amends AASB 3 *Business Combinations* to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments: • clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs • remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs • add guidance and illustrative examples to help entities assess whether a substantive process has been acquired • narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs • add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.	1 January 2020
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of material*	This standard amends AASB 101 *Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 10 *Events after the Reporting Period*, including some supporting requirements in AASB 101, to give it more prominence and clarify the explanation accompanying the definition of material. The amendments also clarify the definition of material and its application by improving the wording and aligning the definition across AASB standards and other publications.	1 January 2020

The following accounting pronouncements are also issued but not effective for the 2018–19 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over income tax treatments*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment features with negative compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term interests in associates and joint ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual improvements 2015 – 2017 cycle*

Notes to the financial statements continued

- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan amendments, curtailment or settlement*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced disclosure requirements*

Notes:

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

8.12 Glossary of technical terms

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

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

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

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

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

Controlled item generally refers to the capacity of a department to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

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

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

Financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

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

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

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

Financial liability is any liability that is:

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

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

Financial statements comprise:

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

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

Notes to the financial statements continued

discounts or premiums in relation to borrowings.

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

Leases are rights to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of vehicles are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Net financial liabilities is calculated as liabilities less financial assets.

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

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

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

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

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

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

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

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

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

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

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

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

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

8.13 Style conventions

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

The notation used in the tables is as follows:

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

The financial statements and notes are presented based on the illustration for government departments/agencies in the 2018–19 Model Report for Victorian Government Departments/Agencies. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the group's annual reports.

Appendix 1: Acronyms and glossary of terms

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

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