Agriculture Victoria Services Pty Ltd

ANNUAL REPORT 2021

AGRICULTURE VICTORIA SERVICES

VICTORIA State Government

Jobs, Precincts and Regions

Head Office
5 Ring Road
Bundoora VIC 3083
T: (03) 9032 7676
W: agvicservices.com.au

Directors

Ms SD Andersen – Chair
(appointed 1 July 2020)

Dr CL Noble
(retired 30 June 2021)

Dr RTH Aldous

Dr A Caples

Dr LC Macleod
(retired 30 June 2021)

Mr PRE Turvey
(resigned 9 June 2021)

Ms JE Perrier
(appointed 1 July 2021)

Mr RA Jagger
(appointed 1 July 2021)

Dr JM Tennent
(appointed 1 August 2021)

Chief Executive Officer

Mr DC Liesegang

Company Secretary

Mr MS Anderson

Auditors

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

Bankers

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

Commonwealth Bank of Australia
499 St Kilda Road
Melbourne VIC 3004

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

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

ACN 006 598 198
ABN 23 006 598 198

AVS AT A GLANCE

at 30 June 2021

19
TOTAL STAFF

81
PATENTED INVENTIONS
(PATENT FAMILIES)

12
TOTAL INVESTMENTS

$8.5M
GROSS ROYALTIES

$25.2M
TOTAL INCOME

BOARD MEMBERS

3 WOMEN
3 MEN

AVS STAFF

6 MEN
13 WOMEN

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

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

Purpose

AVS maximises the commercial value and impact of Agriculture Victoria research and innovation, so that Victorian agriculture and related industries are strong, innovative and sustainable, in order to contribute to better economic and societal outcomes.

Company value

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

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

AVS provides an impartial commercial interface with the private sector to enhance and expedite 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, commercialisation 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 route-to-impact is pursued, the primary objective of AVS is to maximise the economic benefits of the AVR technology innovation for the State. Financial returns from commercialisation are sought commensurate with fair and reasonable value attribution of AVS intellectual property (IP) and AVR intellectual capital (IC).
- AVS always aims to:
  - Set the pace and lead commercialisation of the research and innovation of AVR in a manner consistent with AVS Core Values, Victorian Public-Sector Values, AVS Strategy and State IP Management Principles.
  - Ensure the registration, prosecution, defence and management of AVS IP assets is always in the best economic and societal interests of the State.
  - Invest company funds to accelerate the translation of AVR inventions into innovative products and services.
- AVS funds are invested in high-value AVR innovations that are: technically feasible; commercially attractive; able to generate significant value, impact & revenues for the State; and align with Department IP Management Principles and AVS Strategy Objectives. AVS also invests company funds in Victorian financial institutions to generate funds for new R&I investment opportunities.

Objectives

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

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

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

Core values

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

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

Stakeholders and collaborators

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

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

Chair and CEO report

Agriculture Victoria Services Pty Ltd, its board, management and employees are pleased to present the Company's annual report for the period ended 30 June 2021. In 2020-21, AVS met its corporate objectives and delivered a net result of $2.88 million in furtherance of the Company's purpose of contributing to improved productivity and competitiveness of Victorian agriculture and related local industries.

AVS continued to set the pace and lead the commercialisation of the research and innovations of Agriculture Victoria Research (AVR) for the State's economic benefit. AVS achieved its three core objectives for the year and delivered against all of the Company's success measures. The 2020-21 year represented the third year of the Company's three-year strategy, over which period AVS met all its performance targets by:

- providing expert IP advice in guiding IP registration decisions, portfolio management and route-to-impact decision-making;
- deploying effective technology commercialisation strategies and approaches to the protection, defence and licensing of IP rights; and
- entering impactful technology commercialisation and collaboration agreements that combine AVS IP assets and AVR capabilities for the economic benefit of industry and Victoria.

In 2020-21, AVS lodged several new patent, PBR and trademark applications, as well as patent extensions and variations to enhance technical and geographic coverage. Innovations held by AVS are now represented by 390 patent filings in 27 countries and reflect the broad range of AVR technologies that arise from AVR research.

These IP assets are enabling enhanced genetic improvement of plant and animals' species that are important to Victoria, improved pest and disease management, and the delivery of novel technologies and tools for the discovery, characterisation and deployment of plant and animal microbiomes including in novel bioindustries.

Several technology licence agreements granting IP rights associated with AVR research outputs and aimed at delivering economic benefits to Victoria were signed this year, including a global licence agreement between AVS and Barenbrug Australia Pty Ltd that will maximise the adoption of novel F1 hybrid technology in perennial and short-term ryegrass varieties for Australian dairy farmers. The F1 hybrid technology developed by AVR through the DairyBio joint venture is expected to consistently achieve dry matter yields between 20 and 40% higher than traditionally bred ryegrass, as demonstrated to date over multiple trials in different regions of Australia.

An important AVS role is investing Company funds in AVR technologies with the potential to deliver significant benefits for our agriculture industry and the Victorian economy as well as high commercial returns. The success of the AVS investment portfolio has led to higher revenue flows over the past 6 years, with higher cash reserves enabling AVS to further consolidate its investment portfolio in 2020-21. There are currently 12 active investment projects, all of which are enabling pre-commercial proof of concept and commercial advancement of novel AVR technologies, delivery of commercial product innovations to farmers, and the generation of financial returns for new investment opportunities.

During 2020-21, AVS has developed a new 3-year Corporate Strategy, with the key objectives being to enhance commercialisation to further help Victorian farmers achieve enduring profitability and support Victorian job creation, and to capture global commercialisation and collaboration opportunities for world-leading Victorian scientific capabilities and innovations.

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

On behalf of the Board and Executive we would like to sincerely thank AVS staff and our partners for their outstanding contributions this year, and in particular for their dedication, professionalism and support of each other in adapting to the challenges associated with the global COVID-19 pandemic throughout 2020-21.

We would also like to express our appreciation for the commitment and service of three AVS directors whose directorship terms ended in June 2021 - Lesley Macleod, Clive Noble and Peter Turvey. All three individuals have been instrumental in ensuring the company is well-placed to continue to maximise the commercial value and impact of Victorian research and innovation, so that Victorian agriculture and related industries are strong, innovative and sustainable and contribute to better economic and societal outcomes globally. We are further pleased to welcome to the board of AVS, Jane Perrier, Jan Tennent and Richard Jagger, and look forward to their future contribution to Agriculture Victoria Services.

Sam Andersen

Chair
Agriculture Victoria Services Pty Ltd

David Liesegang

Chief Executive Officer
Agriculture Victoria Services Pty Ltd

Board of directors

For the year ended 30 June 2021

Back row (standing left to right): Peter Turvey, Dr Richard Aldous, Dr Clive Noble PSM

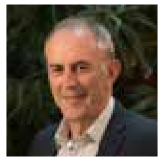
Front row (standing left to right): Dr Lesley Macleod, Dr Amanda Caples, Sandra (Sam) Andersen

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

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

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

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



Dr Clive Noble PSM (Director)
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 has also been the chief executive of the Gardiner Dairy Foundation.

Clive joined the AVS board in 1998 and was appointed Chair of the Company on 1 August 2008. Clive retired as a Director of AVS and Phytogene Pty Ltd on 30 June 2021.

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).

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.

Lesley retired as a Director of AVS and a Member of the AVS Audit and Risk Committee (ARMC) on 30 June 2021.

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

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

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.

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, Chair of the CRC for Clean Power from Lignite and Chair the Ministerial Advisory Council for Earth Resources in Victoria.

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

Mr Peter Turvey (Director)
BA/LLB, MAICD

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

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

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

Peter retired as a Director of AVS and as Chair of Phytogene Pty Ltd in June 2021.

Directors appointed after the year ended 30 June 2021

Ms Jane Perrier (Director)
BA, LLB, RTMA, GAICA

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

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

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

Mr Richard Jagger (Director)
B.Sc. (Hons), Ad. Cert. Food Tech, Master Intl. Bus., GAICD

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

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

Dr Jan Tennent (Director)
FTSE, FASM, PhD, GAICD, GCertMgt

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

An internationally recognised researcher with specialist knowledge of antimicrobial resistance mechanisms and vaccine discovery and commercialisation, Jan has held senior research and business development roles at CSIRO, CSL, and Pfizer Animal Health (now Zoetis). Her most recent executive position was CEO of Biomedical Research Victoria (2012-2019). Jan regularly supports government, industry, academia, and investors with advice on biotechnology, life sciences and the translation and commercialisation of research outcomes through her ConnectBio business.

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

Review of financial performance

This section provides a five-year financial summary and reviews the 2020–21 year for AVS and its subsidiary Phytogene Pty Ltd.

Full financial performance details for the 2020–21 year are shown in the accompanying annual financial report. A consolidated five-year financial summary for AVS and its subsidiary is provided in the following table.

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

Five-year financial summary	2020-21	2019-20	2018–19	2017–18	2016–17
Total income from transactions	25,244	22,699	25,141	28,100	17,250
Total expenses from transactions	(22,917)	(21,291)	(21,180)	(21,045)	(14,405)
Net result from transactions	2,327	1,408	3,961	7,055	2,845
Net result for the period	**2,881**	**1,400**	**4,070**	**7,052**	**2,978**
Net cash flows from operating activities	9,151	(4,114)	7,698	9,988	4,771
Total assets	54,387	43,606	49,680	40,906	28,912
Total liabilities	19,155	11,254	18,607	13,902	8,961
Net assets	35,233	32,352	31,073	27,003	19,951

Overview

Net result for the period

In 2020-21, AVS achieved a net result of $2.9 million (2019-20 $1.4 million) which was in line with expectations. This increase from the previous year reflects the Board's decision to invest $24 million with the Victorian Funds Management Commission (VFMC) Balanced Fund during 2020-21 financial year.

The investment in the VFMC Balanced Fund reflects an increase in interest/distribution income up $0.9 million and Unrealised Capital Gains resulting from increases in the market value of the investment portfolio of $0.6 million.

Net assets

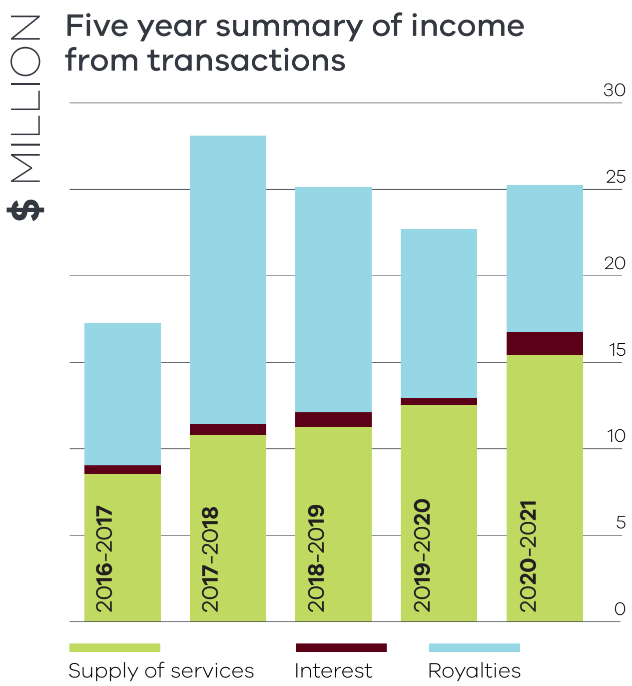
AVS net asset value has experienced significant growth in recent years, principally due to the success of the Company's investment portfolio which has generated strong royalty flows and been a major contributor to the Company's profitability.

$35.2M AVS net worth at $35.2 million (2019-20 $32.4 million) is at the highest level in the Company's history.

Income from transactions

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

Figure 1



Review of financial performance continued

Supply of services income

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

$15.4M The supply of services income in 2020–21 was $15.4 million (2019-2020 $12.6 million).

Other income

Other represents income earned on financial assets held by AVS. Interest and distribution income increased from 2019-20 ($0.4 million) to 2020-21 ($1.3 million) as a result of distributions from the Victorian Fund Management Corporation (VFMC) investments.

Royalty income

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

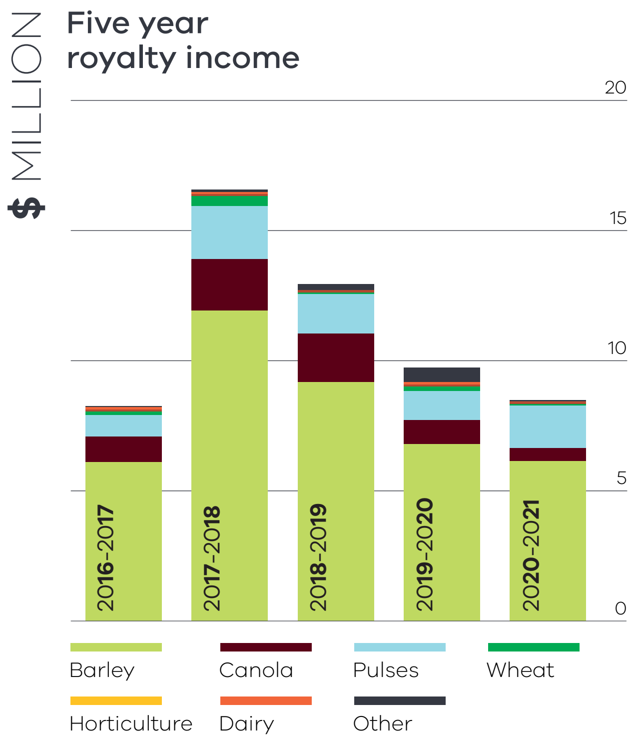
$8.5M Gross royalty income for 2020–21 was $8.5 million (2019-20 $9.7 million). Revenues from the commercialisation of AVS' patented barley varieties continue to deliver most of the Company's royalty income, accounting for $4.0 million of the $8.5 million total royalty income in 2020–21.

The strong royalty performance of recent years relates to the significant returns from the AVS investment fund. However, royalty flows from established investments are currently declining and will continue to do so over the next three to five financial years as several investments reach the end of their commercial lives.

New royalty flows are expected from the more recent investment projects as they reach maturity and commence commercial returns.

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

Figure 2



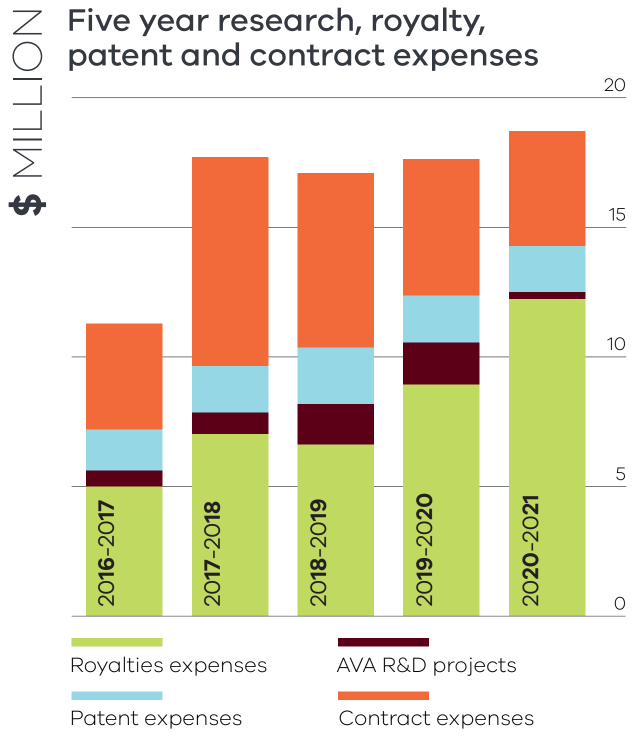
Industry impact

Review of financial performance continued

Research, royalty, patent and contract expenses

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

Figure 3



Research, royalty, patent and contract expenses are the largest expenditure category in AVS total annual expenditure of $22.9 million.

Royalty expenses

As noted above, when determining royalty entitlements, AVS recognises the equity interest of IP inventors and co-funding organisations. Royalty expenses represent the distribution of royalty revenue to IP equity holders, the major beneficiary being the Department. A total of $4.4 million was distributed in 2020–21 (2019-20 $5.3 million).

AVS research (investment) project expenses

This represents expenditure incurred by AVS on investment projects made through the AVS investment fund to accelerate the commercial development of research innovations of the Department. Research projects are expensed to the operating statement, as distinct from development projects that are capitalised in the balance sheet. In 2020–21 research project expenditure amounted to $0.8 million (2019-20 $1.4 million) and included payments for OHV Canola, OHV Wheat, SaffBio, CannBio, Endophyte MicroBiome and CannBio MicroBiome. Research expenditure commitments for subsequent years are detailed in note 6.4 of the annual financial report.

Patent expenses

Patent expenses include IP registration and protection costs for the IP assets of AVS. In 2020–21 patent expenses amounted to $1.8 million (2019-20 $1.8 million). A significant proportion of these costs are recovered from the Department and other IP equity holders.

Contract research project expenses

As part of its role in providing a commercial interface between the Department and industry, AVS enters into contract research and development agreements as an agent of DJPR. In its role as the contracting party AVS collects the research and development funds that are due and pays them, on invoice, to the Department for their provision of the contracted research services. Contract research and development expenses incurred as agent for the Department in 2020–21 total $12.2 million (2019-20 $8.9 million).

Group result net of agency transactions

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

Review of financial performance continued

Table 2: 2020–21 year in review ($000's)

	2020–21			2019–20		
	Total	**Agency**	**Group**	**Total**	**Agency**	**Group**
Income from transactions						
Income from supply of services	15,443	13,436	2,007	12,551	10,544	2,007
Royalty income	8,474	4,443	4,031	9,744	5,251	4,493
Interest income	1,327	–	1,327	404	–	404
Total income from transactions	**25,244**	**17,879**	**7,365**	**22,699**	**15,795**	**6,904**
Expenses from transactions						
Contract research project expenses	12,523	12,373	150	10,546	8,931	1,615
Royalty expenses	4,443	4,443	–	5,251	5,251	–
Patent expenses	1,764	971	790	1,830	1,590	240
Employee expenses	2,471	–	2,471	2,168	–	2,168
Depreciation and amortisation	275	–	275	259	–	259
Interest expenses	55	–	55	51	–	51
Operating expenses	1,386	92	1,294	1,186	23	1,163
Total expenses from transactions	**22,917**	**17,879**	**5,038**	**21,291**	**15,795**	**5,496**
Net result from transactions						
Other economic flows	554		554	(8)		(8)
Comprehensive result	**2,881**		**2,881**	**1,400**		**1,400**

Review of operational performance

This section summarises key operational achievements for the 2020-21 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 2020–21, AVS contributed to maximising the impact of the agricultural technologies and research capabilities of AVR by undertaking the following core IP and commercial management services:

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

AVS intellectual property portfolio

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

Innovations held by AVS are represented by 390 patent filings in 27 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, novel molecular technologies for the analysis of microbiomes in association with plants and animals, and digital AgTech technologies for effective crop and pasture measurement and management.

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

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

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

Review of operational performance continued

The table below summarises the AVS IP portfolio held at 30 June 2021 together with the data from the past four years.

Table 3: AVS intellectual property portfolio from 2017 until 30 June 2021

AVS IP portfolio	2021	2020	2019	2018	2017
Patented inventions (patent families)	**81**	**82**	83	69	65
Plant Breeder's Rights	**58**	**61**	59	58	57
Trademarks	**32**	**19**	13	13	14
Domain names	**6**	**0**	0	0	0

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

Figure 4: Geographic representation of AVS intellectual property portfolio

Review of operational performance continued

Intellectual property registration achievements

During 2020-21, AVS lodged multiple new patent applications comprising novel research outputs of AVR (as well as extensions and variations to existing AVS patents to enhance their technical and geographic coverage).

Australian provisional patent applications filed in 2020-21 include the following research and innovation outputs of AVR:

- Several Australian provisional patent applications were filed by AVS in relation to novel IP for new biolure technologies that attract, trap or monitor insect pests which cause significant loss to the Australian almond and fruit industries. One application is directed to compositions and methods for the control of fruit flies, in particular tephritid fruit fly pests, such as the Queensland fruit fly (Qfly), Bactrocera tryoni (Froggatt). Other applications are focused on compositions for attracting and trapping Carpophilus beetles, including compounds produced by male Carpophilus beetles of the species Carpophilus truncatus.
- A provisional patent application was filed by AVS that captures novel plant microbiome strains with bioprotection and biofertilisation properties.
- An Australian provisional patent application was filed by AVS that captures novel methods for selecting a specific genotype for producing an improved plant suited to a chosen environment, to enable efficient and consistent production of plant crops across a range of climatic conditions and growing environments.
- Several Australian provisional patent applications were filed that capture novel aspects of several digital agriculture (AgTech) technology innovations, including a system for image-based remote sensing of crop plants and a technology for enabling large-scale evaluation of genotypes in breeding programs and crop management systems in a rapid and non-destructive manner.
- Several Australian provisional patent applications were filed that capture novel research innovations in relation to medicinal cannabis plant biology. These innovations included methods for predicting the likelihood of a cannabis plant having high-value production traits and applications capturing novel bioprotectant and biofertiliser endophytes of plants of the cannabis (Cannabaceae) family.

Australian standard patents granted to AVS in 2020-21 include the following research & innovation outputs of AVR:

- A standard AVS patent entitled "Endophytes and Related Methods" (AU 2018201440) was granted in Australia directed to a novel method for identifying or characterising fungal endophyte strains for forage grasses developed by AVR.

In 2020-21 eleven patent applications filed by AVS outside of Australia were granted in relation to research & innovation outputs of AVR, including:

- Two patents entitled "Selection of symbiota by screening multiple host-symbiont associations" (201380041138X and US10631516) granted in China and the United States that capture novel methods for screening for novel endophytes.
- Three patents entitled "Endophytes and Related Methods" (NZ 701613; US 10,881,060 and EP 3842627) granted in New Zealand, the United States and Europe that capture novel methods of identifying endophytes developed by AVR as part of their fungal and bacterial endophytes research program.
- A patent entitled "Modification of lignin biosynthesis via sense suppression" (31242) granted in Uruguay associated with the lignin biosynthesis pathway with applications in high energy forage grasses.
- A divisional patent entitled "Manipulation of self-incompatibility in plants (2)" (JP 6827491) granted in Japan that relates to a family of cases that captures novel methods for controlling hybridisation in plants.

Review of operational performance continued

- A patent entitled "Novel Brachiaria-Urochloa Endophytes" (BR 1120130326832) granted in Brazil which belongs to a family of patents/applications that captures novel Brachiaria-Urochloa endophytes which improve resistance of plants to diseases or pests.
- A patent entitled "Herbicide resistant barley" granted in Brazil capturing HT barley varieties with increased resistance to herbicides and which complements AVS' herbicide resistant IP (which is enabling Australian barley growers to manage weeds and is providing the grains industry with a valuable crop rotation option).
- Granted patents that capture improvements in key agricultural crop plants (including in Canada and Brazil).

In 2020-21 AVS filed and obtained acceptances of PBR's in Australia for new plant varieties bred by AVR, including:

- Two new field pea (Pisum sativum L.) varieties, PBA Taylor (OZP 1408) and PBA Noosa (OZPB1308);
- One new chickpea (Cicer arietinum) variety, PBA Magnus (CICA1352); and
- One new lentil (Lens culinaris) variety, PBA Kelpie (CIPAL 1721 HT).

In 2020-21 AVS filed several trademark applications in relation to AVR research capability and innovations, including:

- Nineteen trademark applications which relate to digital agriculture (AgTech) innovations, such as novel sensor technologies, devices and data analytics innovations for low-cost, high-throughput, tailored, validated applications in agriculture, empowering growers and plant breeders;
- Several trademarks to support AVR educational programs designed to teach students about the importance of Agricultural research outcomes; and
- Trademarks relating to AVR plant genetics and accelerated-precision plant breeding technology innovations for grain crops, including wheat, barley, canola, pulses and safflower and ryegrass.

In 2020-21 sixteen AVS trademarks were accepted or registered, including:

- Registration of a trademark in Australia for AVR innovations relating to novel microorganisms for use as plant, seed and soil applications for biostimulant, bioprotectant and biofertiliser outcomes;
- Registration of trademarks relating to the AgTech and sensor technology portfolios; and
- Registration of a trademark in Europe, the US and the UK that will be used in connection with new safflower technologies arising from the AVS Safflower investment project.

Notwithstanding the new IP filings stated above, there was a reduction of 1 in the number of patent families in 2020-21 (i.e. 82 in 2019-20 cf. 81 in 2020-21) as a result of AVS' IP portfolio reviews in 2020-21.

Technology commercialisation achievements

The following activities in 2020-21 relate to the licensing of AVS IP rights associated with AVR research outputs to maximise technology adoption by industry and deliver economic benefits to Victoria.

AVS signed several technology licence agreements for new elite pulse varieties developed by AVR through the Pulse Breeding Australia (PBA) program, and extended licence agreements for the continued commercialisation of plant varieties in demand by growers. 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.

AVS signed two licence agreements that aim to deliver elite, new AVR-bred pulse varieties to Australian growers:

- A plant variety licence with PB Seeds Pty Ltd for a kabuli chickpea variety, PBA Magnus (CIPAL 1352).
- A plant variety licence with Nutrien Ag Solutions (formerly Landmark Operations Limited trading as Seednet) for a field pea variety, PBA Taylor (OZP1408).

Review of operational performance continued

AVS signed six licence extensions enabling continued grower access to several successful AVR-bred plant varieties:

- PBA Monarch, a kabuli chickpea, with Nutrien Ag Solutions (trading as Seednet);
- PBA Wharton, a field pea variety, with Nutrien Ag Solutions (trading as Seednet);
- Nipper, a lentil variety, with Nutrien Ag Solutions (trading as Seednet);
- Buloke, a barley variety, with Nutrien Ag Solutions (trading as Seednet);
- PBA Ace and PBA Bolt, two lentil varieties, with PB Seeds Pty Ltd.

A licence extension was entered into with Corteva through its Pioneer arm for the continued exploitation of canola material developed by AVR with GRDC support under the National Brassica Germplasm Improvement Program.

Two Collaborative Research and Development Agreements were signed between AVS and two private renewable energy companies for the identification of plant and livestock production opportunities that could co-exist within, beside and around large-scale solar installations. The Agreements grant non-exclusive licence rights to project outputs for commercial use by the two companies and support the Victoria's '*Agriculture Energy Investment Plan*' which aims to build a more resilient, adaptive, energy efficient and less emissions intensive agricultural sector.

An Evaluation, Development and Licence Option agreement was signed between AVS and Seed Force Ltd that grants Seed Force an exclusive licence to evaluate novel *Lolium*-derived microbiomes (developed by AVR through the DairyBio program) in the field of pastoral forages (livestock farming) and an option to enter into a commercial licence for the technology.

A Master Licence agreement was signed between AVS and Barenbrug Australia Pty Ltd to maximise the adoption of F1 hybrid technology in perennial and short-term ryegrass varieties by Australian dairy farmers.

In alignment with the Victorian Government's medicinal 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, in 2020-21 AVS continued to contractually engage with several companies to help grow domestic and global markets for Victorian-produced medicinal cannabis products, including a Collaborative Research and Development Agreement signed between AVS and a major, authorised Australian medicinal cannabis cultivation company to conduct integrative, genomics-assisted breeding of novel medicinal cannabis strains.

The Agreement grants non-exclusive licence rights to AVS' accelerated breeding platform technologies for enabling the development and commercial use of novel, proprietary cannabis strains suited to commercial, medicinal cannabis production systems and markets.

Commercial research and collaboration

In 2020-21, AVS helped strengthen AVR collaborations with the private sector by providing services to 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 2020-21, AVS signed contract research agreements with the private sector on behalf of AVR in the following areas:

- forage grass (tall fescue and perennial ryegrass) endophyte diagnostics
- crop health surveys
- testing of pasture species for endophyte strain viability
- screening trial of crop chemical efficacy

Review of operational performance continued

In 2020-21, AVS signed technical service agreements with the private sector on behalf of AVR in the following areas:

- genomic selection of eucalypts and Pinus radiata
- beef meat quality genotyping services
- plant growth comparison trial with proprietary tubular daylight devices
- trials using a proprietary seaweed solution on tomato, broccoli and lettuce
- genotyping services for Australian and overseas grain breeding companies and research organisations
- 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
- supply and access provisions for proprietary, AVR-developed medicinal cannabis strains.

Collaborative research guidance and support

In 2020-21, AVS' specialist expertise in legal, commercial and IP matters was deployed to review several agreements for research & innovation collaborations and contracted service provision by AVR.

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

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

AVS technology investment

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

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

In 2020-21, AVS continued to identify, assess and manage 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 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 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 2021, AVS had twelve active investment projects under management and had invested in 20 technology enhancement projects during the past 17 years. See Table 4 below for a review of each active project.

The following table briefly summarises current AVS investment fund projects.

Review of operational performance continued

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

Investment fund projects	Key objective of investment project	Project expenditure treatment
1. Phytogene Pty Ltd	Phytogene is a wholly owned subsidiary company of AVS established to commercialise a 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 a complementary yield-enhancing trait – biomass enhancement technology (BET) – which was developed by AVR and the former Molecular Plant Breeding Cooperative Research Centre (CRC). AVS' share capital investment and early stage licence revenues fund Phytogene's ongoing operations.	Development[1] project: expenditure reported in the AVS balance sheet as an investment in wholly owned subsidiary
2. Primary Oilseeds	This project has delivered AVR-developed canola germplasm and commercial canola varieties in Australia through three genetic trait pipelines: conventional (non-herbicide-tolerant) canola varieties; triazine-tolerant canola varieties; and imidazolinone-tolerant canola varieties.	Development project: expenditure reported in the AVS balance sheet as an intangible asset
3. AVS High Oleic, Low Linolenic (HOLL) Canola	This project has delivered commercial HOLL canola hybrids with tolerance to key herbicides. Oil produced from HOLL canola offers improved shelf-life and stability at high temperatures due to its oxidative stability.	Development project: expenditure reported in the AVS balance sheet as an intangible asset
4. Herbicide-Tolerant (HT) Barley	This project has established and released 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.	Development project: expenditure reported in the AVS balance sheet as an intangible asset
5. Herbicide-Tolerant (HT) Lentils	This project has developed elite, new lentil varieties with tolerance to a class of important herbicides for Australian grain growers.	Development project: expenditure reported in the AVS balance sheet as an intangible asset
6. Blackleg Tolerant Canola	This project aims to demonstrate the application of Optimum Haploid Value (OHV) selection methods and obtain new knowledge for use in canola pre-breeding, to help accelerate the development of new canola varieties with resistance to Blackleg fungal disease by commercial canola breeding companies in Australia.	Research project[1]: expenditure charged against the income statement in the year incurred
7. Genome Edited Wheat and Forages	This project aims to develop new genome-edited forage product innovations for the Australian dairy industry, and to develop and validate platform technology applications in wheat to enable precision genome editing technology to be directly deployed in elite wheat germplasm.	Research project: expenditure charged against the income statement in the year incurred

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

Review of operational performance continued

Investment fund projects	Key objective of investment project	Project expenditure treatment
8. Russian Wheat Aphid Tolerant Wheat	This project aims to demonstrate the application of OHV selection methods and obtain new knowledge for use in wheat pre-breeding, to help accelerate the development of new wheat varieties with resistance to Russian Wheat Aphid (while increasing genetic gain for yield, rust disease resistance and other traits).	Research project: expenditure charged against the income statement in the year incurred
9. Novel Safflower Platform (SaffBio™)	This project aims to demonstrate the application of a novel precision genome design system for safflower to enable the generation of new safflower plants producing biomolecules with industrial and agricultural applications. This investment also seeks to demonstrate the application of AVS' RNAse5 technology in safflower 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 strains and products.	Research project: expenditure charged against the income statement in the year incurred
11. Endophyte Microbiome Library	This project aims to establish and demonstrate the application a collection of endophytic microbes isolated from a range of plants with bioprotection, biofertiliser and biostimulant applications for selection and use in crops.	Research project: expenditure charged against the income statement in the year incurred
12. Medicinal Cannabis Microbiomes	This project aims to discover, characterise, evaluate and select novel microbes for providing resistance against fungal and bacterial diseases and increasing positive traits such as the yield of medicinal cannabis plants.	Research project: expenditure charged against the income statement in the year incurred

Of the twelve AVS project investments, seven have had funding committed during the past seven years, namely:

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

Review of operational performance continued

Four of the twelve AVS project investments are currently in their commercialisation phase (namely HT Barley, HT Lentils, Primary Oilseeds, HOLL Canola) resulting 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 novel, platform AVR-created technologies. These technologies will enable accelerated rates of genetic gain in strategic crops of importance to Victoria and will likely present future global commercial licensing opportunities. These projects also require longer investment periods for innovation delivery and have a higher average project investment cost.

Investment fund performance

Key indicators used 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 (2020-21)	Performance (2019–20)
Value of the AVS investment portfolio (NPV)	In 2020-21, the AVS investment fund NPV (excluding subsidiary entity Phytogene) amounted to $36.4 million, representing an increase of $1.3 million or 4 per cent on the prior year. In 2020-21, the AVS investment fund NPV for the subsidiary (Phytogene) amounted to $4.46 million.	In 2019-20, the AVS investment fund NPV (excluding subsidiary entity Phytogene) amounted to $35.1 million, representing an increase of $2.7 million or 8 per cent on the Taimproved net NPVs in eight of the twelve current investments. In 2019-20, the AVS investment fund NPV for the subsidiary (Phytogene) amounted to $3.5 million.
Projects that attract private sector investment	In 2020-21, nine of the twelve active projects had attracted private sector investment to date. The commercialisation plans of three projects were further progressed with targeted commercialisation route-to-impact partners in 2020-21 and are on track.	In 2019-20, nine of the twelve active projects had attracted private sector investment.
Projects that generate new products	In 2020-21 one new commercial product was released to the market by a project technology licensee: PBA Kelpie XT from the AVS HT Lentil Project. Four of the twelve current investment projects have already been successful in generating commercial products. The remaining seven projects are in technology development and evaluation phases with commercial product releases targeted in the next one to seven years.	Four of the twelve current investment projects have been successful in generating commercial products, while a fifth project has products undergoing commercial glasshouse trials. The remaining seven projects are in technology development and evaluation phases with related product releases due in the next two to eight years.

The AVS investment fund performed in line with the annual investment performance measures established by the board, with projects attracting private sector investment in technology evaluation and product development in the market continuing to deliver impact for Australian farmers and financial returns to AVS to 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

The development of LXR® alfalfa for the South American market remains Phytogene's most advanced commercial opportunity with the technology being licensed to the Instituto de Agrobiotecnología de Rosario in Argentina (INDEAR).

In 2020-21 INDEAR successfully advanced the transformation and development of a triple-trait stacked LXR® alfalfa product incorporating three genes of interest: LXR® yield enhancement, alfalfa mosaic virus-resistance (AMV) and aluminium tolerance for organic acidic soil conditions (OA). The trait-stacked LXR® alfalfa transgenic events have been screened under glasshouse conditions and are being considered for trait efficacy field trials in Argentina in 2021-22, with a view to seeking regulatory approval and commercial release in Argentina, Uruguay and Brazil.

The LXR® AMV OA triple trait alfalfa product will likely offer a strong value proposition in South America, particularly in southern Brazil where the presence of acidic soils, which leads to aluminium toxicity in plants, is a likely barrier to broadacre alfalfa cultivation in livestock production regions.

In 2020-21, INDEAR also reported on its initial trait efficacy field trial of several transgenic LXR® wheat events conducted in Argentina, with encouraging results. The data from these field trials is informing INDEAR in its selection of the most suitable LXR® wheat events for a further trait efficacy field trial in Argentina in 2021-22.

In 2020-21, the Faculty of Agronomy of the University of Buenos Aires in Argentina (FAUBA) advanced its conduct of field and animal performance trials of high-energy BET ryegrass events that have been introgressed into commercially relevant ryegrass varieties.

These trials are assessing the effect of BET in perennial ryegrass under a dairy grazing regime with sheep and cattle and may further inform a prospective application for regulatory approval for future commercial release in Argentina, and in Australia should future GM legislation in Australian jurisdictions and market acceptance permit.

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

The company was able to meet an operating loss of $59,444 in 2020-21 from its own internal cash resources and (as a result of a further injection of capital $0.2 million in 2020-21) has sufficient cash resources to sustain its operations until at least June 2025 by which time the first commercial sales from LXR® alfalfa are expected to commence.

Primary Oilseeds

Primary Oilseeds is an oilseed variety 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 financial returns to help sustain the AVS investment fund.

This project is nearing completion with the final canola varieties now well-established in the market (*ATR Bonito* and *ATR Wahoo*). The production and delivery of commercial seed of these canola varieties continues with Nuseed®.

Review of operational performance continued

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.

AVS' 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. This resulted in the release 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.

Victory HOLL canola varieties include: Clearfield V7001CL, V7002CL, V75-03CL and Round-Up Ready V5003RR.

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 & innovation project with the AVR for the development of HT barley.

Local seed partner, Seednet, was first licensed to commercially release the HT barley variety, Scope CL which was successfully commercialised in Australia and rapidly adopted by the Australian barley industry.

This was supported by a licence signed between AVS and BASF Plant Science Company GmbH, which enables the use of Intervix® herbicide on Clearfield® barley pursuant to BASF stewardship and herbicide application protocols.

A subsequent development and licence agreement was signed between AVS and InterGrain Pty Ltd which granted rights to breed with and commercialise AVS' patented HT barley trait in Australia, resulting in the commercial release of the HT barley variety, Spartacus CL, followed by Maximus CL which received malt accreditation in February 2021.

Herbicide-Tolerant (HT) Lentils

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

The project has demonstrated proof of concept application in several lentil varieties with tolerance to the Group B herbicide, imidazolinone. HT lentil varieties were then further developed and, through a commercial licensee, PB Seeds Pty Ltd, underwent wide-scale commercial grower evaluation before release. The first AVS HT lentil variety, PBA Herald XT, was launched by PB Seeds in 2011. Subsequent AVS HT Lentil varieties released include: PBA Hurricane XT; PBA Hallmark XT and PBA Highland XT released in 2019-20.

In 2020-21 Nutrien Ag Solutions trading as Seednet released PBA Kelpie XT, a large red lentil with tolerance to imidazolinone herbicide.

Review of operational performance continued

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

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

OHV Russian-Wheat-Aphid Tolerant Wheat

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

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

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. AVS is engaging with Australian-based commercial wheat breeders to establish such route-to-impact partnerships.

Genome-Edited Wheat and Forages

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

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

AVS is seeking to develop gene-edited events in perennial ryegrass and wheat with commercial collaborators.

Novel Safflower Platform (SaffBio®)

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

AVS aims to establish a new bio-based oils industry for Victoria and the replacement of fossil fuels in products such as lubricants and plastics. The project is also aiming to de-risk and demonstrate the commercial value of the new accelerated precision breeding platform by generating safflower events that produce RNAse5 in the seed for commercial applications as a novel feedstock.

The AVS research investment project has recently obtained new knowledge, tools and methods to enable non-GM safflower plants via gene editing. The project has also developed world first genomic breeding values to select safflower breeding lines, which will speed up industry development in conjunction with a platform for applying accelerated precision breeding of new safflower varieties for commercial production.

Review of operational performance continued

Novel Medicinal Cannabis Genetics (CannBio®)

This AVS research investment project aims to obtain new knowledge to assist develop and commercialise novel, AVR-developed medicinal cannabis strains 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, evaluate, license and deliver important novel medicinal cannabis technologies to support the development of a globally competitive new bioindustry in Victoria delivering healthcare outcomes.

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

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

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

Endophyte Microbiome Library

This AVS research investment project aims to identify, establish and evaluate a collection of endophytic microbes isolated from wild plants related to modern crops (from an endophyte collection of Australian native plants) with potential bioprotection, biofertiliser and biostimulant applications for potential use in several crops to improve plant performance, and for a potential broad range of agronomical benefits to farmers. The targeted novel microbiomes may also have potential to increase crop productivity by either reducing costs of controlling pathogens, or by increasing yield and profitability.

The research has recently attracted preliminary interest from globally-positioned biologicals-based businesses with the targeted novel microbiomes showing potential for application in broadacre and high-value crops.

Medicinal Cannabis Microbiomes

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

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

AVS is continuing to explore commercial licensing and partnering opportunities with suitable companies.

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 the Secretary of DJPR. The shares are subject to a declaration of trust that requires the shareholder to exercise their rights in such manner as the Minister for Agriculture, Hon Mary-Anne Thomas MP, or her delegate shall from time to time direct.

Responsibilities and composition of the board of directors

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

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

The current board members are as follows:

Director	Appointment Term
Ms Sandra Andersen*	1 November 2019 to 31 October 2022
Dr Richard Aldous	1 November 2019 to 31 October 2022
Dr Clive Noble	1 August 2011 to 30 June 2021
Dr Amanda Caples	1 November 2019 to 31 October 2022
Dr Lesley Macleod	1 July 2018 to 30 June 2021
Mr Peter Turvey	13 July 2012 to 09 June 2021
Ms Jane Perrier	1 July 2021 to 31 October 2023
Mr Richard Jagger	1 July 2021 to 31 October 2024
Dr Janet Tennent	1 August 2021 to 31 October 2024

* Chair from 1st July 2020

Board committees 2021

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 2020-21 were:

Mr Geoffrey Harry	**Chair and Independent member** (Chair: 30 October 2020 to 30 June 2021)
Ms Sandra Andersen	**AVS director**
Mr Peter Turvey	**AVS director** (Chair: 1 July 2020 to 30 October 2020), retired as a member 9 June 2021
Dr Lesley MacLeod	**AVS director** retired as a member 30 June 2021
Ms Jane Perrier	**AVS director** appointed 1 July 2021
Mr Richard Jagger	**AVS director** appointed 1 July 2021

Corporate governance and organisation structure continued

The committee met four times during 2020–21.

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.

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 2020–21.

Investment Committee

The Investment Committee is constituted under the AVS investment policy and procedure approved by the AVS Board. It is responsible for assisting and advising the AVS board on matters relating to the investment of AVS funds and their periodic review and valuation. All directors are members of the Investment Committee, which met six times during 2020–21.

Policies and procedures

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

Risk management

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

Attestation for financial management compliance with Standing Direction 5.1.4

Agriculture Victoria Services Pty Ltd Financial Compliance Attestation Statement:

Agriculture Victoria Services Pty Ltd is a Declared Body under Section 53A of the Financial Management Act and as such it is not bound by the Standing Directions of the Minister for Finance. However, the Company has resolved to 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, David Liesegang, 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.

Mr David Liesegang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd
20 August 2021

Corporate governance and organisation structure continued

Executive management

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

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

Chief Executive Officer

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

As CEO, David is responsible for ensuring that the organisation's structure and processes meet the strategic and cultural needs of the company and its legal and regulatory obligations; for leading high levels of service delivery to the company's stakeholders and customers; and for the leadership, management and oversight of the day to day operations of the company, its people and its resources.

Chief Financial Officer and Company Secretary

Martin Anderson was appointed as the Chief Financial Officer in September 2019 and Company Secretary in December 2019. Martin is responsible for the Company's financial planning and management, which includes budget preparation, monitoring and reporting, financial systems, human resources, and information technology.

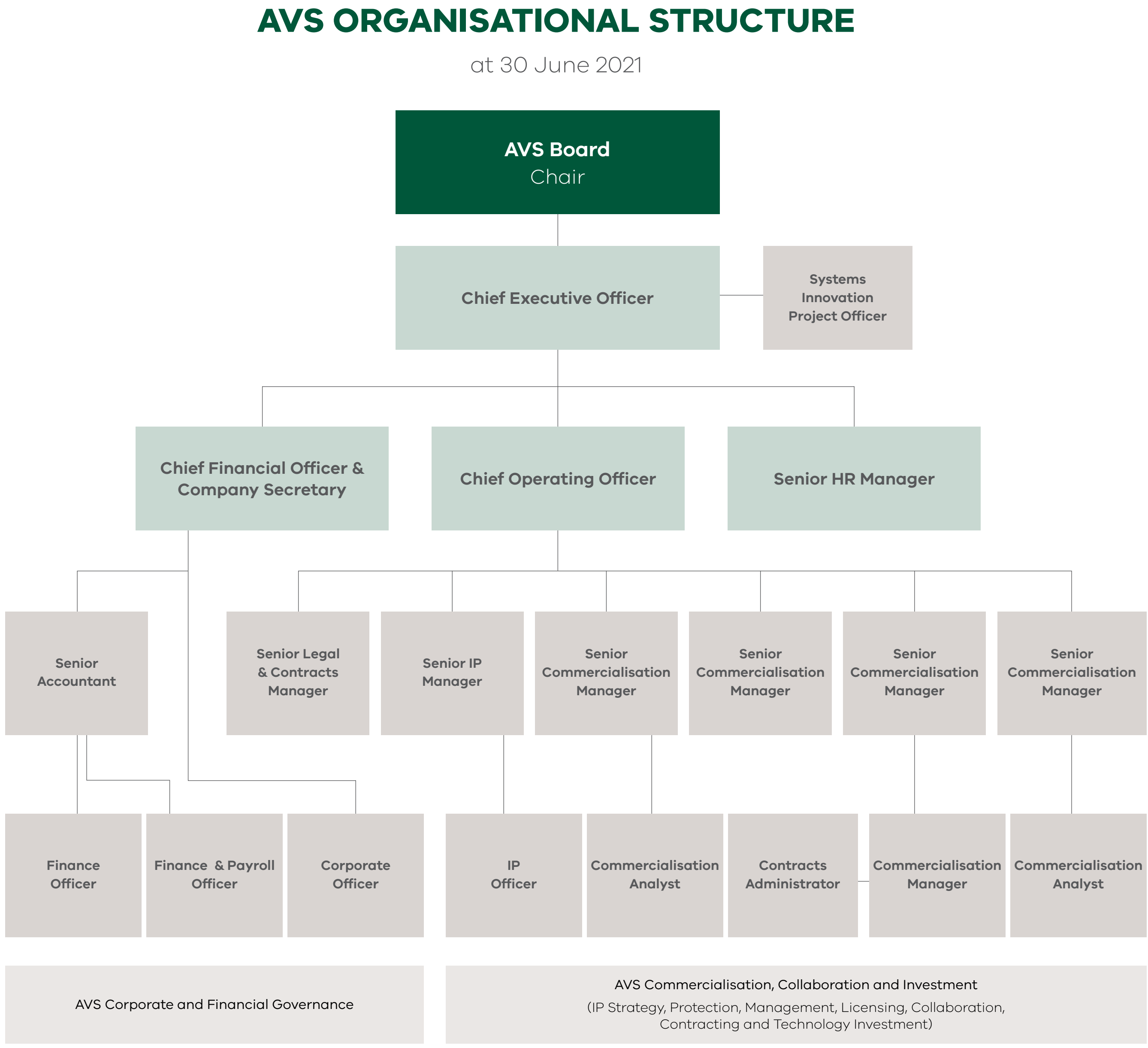
As Company Secretary, Martin is also responsible for governance, risk management and corporate compliance frameworks and procedures and for providing board secretariat services to AVS and Phytogene Pty Ltd.

Chief Operating Officer

Denise Hodge was appointed in July 2018 and 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.

Corporate governance and organisation structure continued

Figure 5



Corporate governance and organisation structure continued

Employment principles

Employee appointment principles

AVS is committed to applying merit, diversity 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) approved by the board consists of a continuous improvement process; risk management framework; and a range of policies, procedures and guidelines.

During the 2020–21 financial year, AVS participated in several initiatives to improve the health, wellbeing and safety of staff and quarterly safety audits to identify and address any workplace risks.

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

AVS achieved its health, wellbeing and safety targets for 2020–21 as described in the table below:

2020–21 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 guide public administration and provides a framework designed to ensure effective and consistent governance across the entire Victorian public sector. The Victorian Public Sector Commission is established under the Act to support its administration and implementation. AVS is classified as a Public Entity under this Act and, by Order in Council dated 25 June 2013, became subject to divisions 2 and 3 of part 5 of the Act and the governance principles contained therein.

Financial Management Act 1994 (Vic)

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

Audit Act 1994 (Vic)

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

Privacy and Data Protection Act 2014 (Vic)

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

Public Interest Disclosures Act 2012 (Vic)

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

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

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

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

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

Legislative framework continued

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

Independent Broad-Based Anti-Corruption Commission Victoria

Level 1, North Tower
459 Collins Street
Melbourne, VIC 3000

Phone: 1300 735 135

Web: www.ibac.vic.gov.au

Email: (the above website provides a secure email disclosure process)

Mail: IBAC, GPO Box 24234
Melbourne VIC 3000

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

Disclosures under the *Public Interest Disclosures Act 2012*

Disclosures	2020–21 number	2019–20 number
Number of disclosures made by an individual to IBAC - Assessable disclosures	Nil	Nil

Directors' report

The directors of Agriculture Victoria Services Pty Ltd (AVS) present their report together with the consolidated annual financial report of AVS and its subsidiary, Phytogene Pty Ltd, for the year ended 30 June 2021 and the independent auditor's report thereon.

Directors

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

- Dr Clive Noble retired 30 June 2021
- Dr Richard Aldous
- Ms Sandra Andersen
- Dr Amanda Caples
- Dr Lesley Macleod retired 30 June 2021
- Mr Peter Turvey retired 9 June 2021

All directors have been in office since the start of the financial year to the date of this report, except where noted above. Details of the directors during the financial year (including qualifications, experience and membership of board sub-committees) are set out on pages 6 to 8.

The following directors were appointed to the AVS Board in the 2021-22 financial year:

- Ms Jane Perrier:
  1 July 2021 to 31 October 2023
- Mr Richard Jagger:
  1 July 2021 to 31 October 2024
- Dr Jan Tennent:
  1 August 2021 to 31 October 2024

Details of the directors appointed during the 2021-22 financial year (including qualifications, experience and membership of board sub-committees) are set out on page 8.

Company Secretary

- Mr Martin Anderson

Directors' meetings

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

	Board of Directors		Committees of the Board of Directors					
	Full Board		Audit & Risk Management		Investment		Remuneration	
	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held
CL Noble	6	6	–	–	6	6	1	1
RTH Aldous	6	6	–	–	6	6	1	1
SD Andersen	6	6	4	4	6	6	1	1
A Caples	6	6	–	–	6	6	1	1
LC Macleod[(a)]	6	6	3	4	6	6	1	1
PRE Turvey[(b)]	3	6	2	4	3	6	1	1
GD Harry[(c)]	–	–	4	4	–	–	–	–

Notes: (a) Dr Lesley MacLeod joined the Audit and Risk Committee in November 2020.
(b) Mr PRE Turvey was unable to attend meetings in 2021 due to illness.
(c) Mr GD Harry is the Chair and Independent Member of the Audit and Risk Committee.

Principal activities

During the year, the principal activities of AVS were:

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

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

Directors' report continued

Financial performance

A detailed review of financial results is provided on pages 9 to 12. The net result for the consolidated entity for the year was $2.9 million (2020: $1.4 million).

Operational performance

A comprehensive review of operations is provided on pages 13 to 25.

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 2021. No dividend has been paid during the year ended 30 June 2021 (2020: 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 pages 31 to 32. This legislative framework reflects AVS status as an entity wholly owned by the State of Victoria.

Environmental legislation

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

Directors' interests

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

Indemnification and insurance of officers and auditors

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

Non-audit services

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

Proceedings on behalf of the Company

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

Auditor's independence declaration

The auditor's independence declaration is set out on page 40 of this report and forms part of the directors' report for the financial year ended 30 June 2021.

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

Ms Sandra Andersen **Director** 20 August 2021	Dr Amanda Caples **Director** 20 August 2021

ANNUAL FINANCIAL REPORT **2021**

Annual Financial Report 2020-21

Agriculture Victoria Services Pty Ltd (AVS) has presented its audited general purpose annual financial report for the financial year ended 30 June 2021 in the following structure to provide users with the information about the AVS stewardship of resources entrusted to it.

Directors' declaration

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

1) The consolidated annual financial report and notes are in accordance with the *Corporations Act 2001,* including:
   a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
   b) complying with the Australian Accounting Standards (including the Australian Accounting Standards Interpretations) and the Corporations Regulations 2001.
2) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3) At the time of signing, we are not aware of any circumstance which would render any particulars included in the annual financial report to be misleading or inaccurate.

We authorise the attached annual financial report for issue on 20 August 2021.

Ms Sandra Andersen
Director
20 August 2021

Dr Amanda Caples
Director
20 August 2021

Annual Financial Report 2020-21 continued

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Directors of Agriculture Victoria Services Pty Ltd

Opinion

I have audited the consolidated financial report of Agriculture Victoria Services Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the:

- consolidated balance sheet as at 30 June 2021
- consolidated comprehensive operating statement for the year then ended
- consolidated statement of changes in equity for the year then ended
- consolidated cash flow statement for the year then ended
- notes to the financial statements, including significant accounting policies
- directors' declaration.

In my opinion the 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 2021 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.

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

Annual Financial Report 2020-21 continued

Other information

The Directors of the company are responsible for the other information, which comprises the information in the company's annual report for the year ended 30 June 2021, but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly, I do not express any form of assurance conclusion on the other information. However, in connection with my audit of the financial report, my responsibility is to read the other information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the other information, I am required to report that fact. I have nothing to report in this regard.

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.

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

Annual Financial Report 2020-21 continued

Auditor's responsibilities for the audit of the financial report (continued)

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and the consolidated entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and the consolidated entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company and the consolidated entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the company and the consolidated entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the company and the consolidated entity. I remain solely responsible for my audit opinion.

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

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

MELBOURNE
16 September 2021

Simone Bohan
as delegate for the Auditor-General of Victoria

Annual Financial Report 2020-21 continued

VAGO
Victorian Auditor-General's Office

Auditor-General's Independence Declaration

To the Directors, Agriculture Victoria Services Pty Ltd

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

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

Independence Declaration

As auditor for Agriculture Victoria Services Pty Ltd for the year ended 30 June 2021, 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
16 September 2021

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

Annual Financial Report 2020-21 continued

Consolidated comprehensive operating statement

For the year ended 30 June 2021

	Notes	Consolidated 2021 $	Consolidated 2020 $
Continuing operations			
Income from transactions			
Revenue from services and royalties	2	23,916,179	22,295,210
Other revenue	2	1,327,943	404,248
Total income from transactions		**25,244,122**	**22,699,458**
Expenses from transactions			
Employee expenses	3.2.1	2,470,568	2,167,653
Depreciation and amortisation	4.4 & 4.5.2	275,161	259,473
Interest expense	6.2 & 6.2.2.2	55,417	50,529
Research and development, royalty and patent expenses	3.3	18,730,209	17,627,728
Other operating expenses	3.4	1,385,832	1,185,403
Total expenses from transactions		**22,917,187**	**21,290,786**
Net result from transactions (net operating balance)		**2,326,935**	**1,408,672**
Other economic flows included in net result			
Net gain/(loss) on financial instruments [(a)]	8.1	545,951	(6,524)
Other Gains/ (losses)	8.1	8,491	(1,824)
Total other economic flows included in net result		**554,442**	**(8,348)**
Net result		**2,881,377**	**1,400,324**
Comprehensive result		**2,881,377**	**1,400,324**

The accompanying notes form part of the annual financial report.

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

Annual Financial Report 2020-21 continued

Consolidated Balance Sheet

As at 30 June 2021

	Notes	Consolidated 2021 $	2020 $
Assets			
Financial assets			
Cash and deposits	6.3	24,656,935	39,600,354
Receivables	5.1	3,813,820	2,106,417
Investments and other financial assets	5.4	24,551,356	-
Total financial assets		**53,022,111**	**41,706,771**
Non-financial assets			
Plant, equipment and motor vehicle	4.1	66,919	85,583
Right-of-Use assets	4.2	548,786	815,838
Intangible assets	4.5.4	139,671	224,864
Leasehold improvements	4.3	579,400	652,802
Other non-financial assets	5.3	30,522	120,126
Total non financial assets		**1,365,298**	**1,899,213**
Total assets		**54,387,409**	**43,605,984**
Liabilities			
Payables	5.2	17,820,235	9,768,184
Borrowings	6.1	67,199	85,381
Lease liability	6.2.2.1	798,679	1,044,469
Employee related provisions	3.2.2	468,413	356,444
Total liabilities		**19,154,526**	**11,254,478**
Net assets		**35,232,883**	**32,351,506**
Equity			
Accumulated surplus		30,232,883	27,351,506
Contributed capital	8.6	5,000,000	5,000,000
Net worth		**35,232,883**	**32,351,506**

The accompanying notes form part of the annual financial report

Annual Financial Report 2020-21 continued

Consolidated cash flow statement

For the year ended 30 June 2021

	Notes	Consolidated 2021 $	2020 $
Cash flows from operating activities			
Receipts			
Receipts from customers		25,511,656	27,671,363
Other revenue received		148,257	584,145
Total receipts		**25,659,913**	**28,225,508**
Payments			
Payments to suppliers and employees		(16,110,108)	(33,290,264)
Goods and services tax paid to the ATO [(a)]		(342,987)	970,937
Interest and other costs of finance paid		(55,417)	(50,529)
Total payments		**(16,508,512)**	**(32,369,856)**
Net cash flows from/(used in) operating activities	6.3.1	**9,151,401**	**(4,114,348)**
Cash flows from investing activities			
Payment for leasehold improvements in progress		-	(6,678)
Payment for investment		(24,000,000)	-
Net cash flows from/(used in) investing activities		**(24,000,000)**	**(6,678)**
Cash flows from financing activities			
Repayment of borrowings		(18,182)	(14,096)
Repayment of principal portion of lease liabilities (2019: operating leases) [(b)]		(76,638)	(105,605)
Net cash flows used in financing activities		**(94,820)**	**(119,701)**
Net increase/(decrease) in cash and cash equivalents		**(14,943,419)**	**(4,240,727)**
Cash and cash equivalents at beginning of financial year		39,600,354	43,841,081
Cash and cash equivalents at end of financial year	6.3	**24,656,935**	**39,600,354**

The accompanying notes form part of the annual financial report.

Notes: *(a) GST received from / (paid to) the Australian Taxation Office is presented on a net basis.*
(b) The Group has recognised cash payments for the principal portion of lease payments as financing activities; cash payments for the interest portion as operating activities consistent with the presentation of interest payments and short-term lease payments for leases and low-value assets as operating activities.

Annual Financial Report 2020-21 continued

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Consolidated		
	Accumulated surplus $	Contributions by owner $	Total $
Balance at 1 July 2019	**25,951,182**	**5,000,000**	**30,951,182**
Net result for the year	1,400,324	-	1,400,324
Balance at 30 June 2020	**27,351,506**	**5,000,000**	**32,351,506**
Balance at 1 July 2020	**27,351,506**	**5,000,000**	**32,351,506**
Net result for the year	2,881,377	-	2,881,377
Balance at 30 June 2021	**30,232,883**	**5,000,000**	**35,232,883**

The accompanying notes form part of the annual financial report.

Notes to the Annual Financial Report

For the year ended 30 June 2021

1. About this report

Introduction

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

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

A description of the nature of the Company's operations and its principal activities are included earlier in this annual report, which does not form part of the consolidated annual financial report. The consolidated annual financial report was authorised for issue by the Directors of the Company on 20 August 2021.

1.1 Basis of preparation

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

1.2 Currency

All figures are denominated in Australian dollars.

1.3 Historical Cost

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

1.4 Accrual Basis

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

1.5 Accounting Policies

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

1.6 Consolidation of Group Entities

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

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

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

1.7 Judgements, Estimates and Assumptions

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

Notes to the Annual Financial Report continued

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

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

1.8 Compliance information

The consolidated general purpose annual financial report has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board. Where applicable, the consolidated general purpose annual financial report has also been prepared in accordance with the 2020-21 Department of Treasury and Finance (DTF) Model Financial Report.

2. Funding delivery of our services

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

The Group 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 these research and innovation outcomes.

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

2.1 Summary of income that funds the delivery of our services

	Consolidated	
	2021 $	2020 $
Revenue from services and royalties		
Income from supply of services	15,442,638	12,551,498
Royalty income	8,473,541	9,743,712
Total revenue from services and royalties	**23,916,179**	**22,295,210**
Other revenue		
Interest on bank deposits	41,154	404,248
VFMC Balanced Fund Distribution	1,286,789	-
Total other revenue	**1,327,943**	**404,248**
Total income from transactions	**25,244,122**	**22,699,458**

Notes to the Annual Financial Report continued

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

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

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

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

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

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

3. The cost of delivering our services

Introduction

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

3.1 Expenses incurred in delivery of services

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

		Consolidated	
	Notes	2021 $	2020 $
Employee benefit expenses	3.2.1	2,470,568	2,167,653
Research and development, royalty and patent expenses	3.3	18,730,209	17,627,728
Operating expenses	3.4	1,385,832	1,185,403
Total expenses incurred in delivery of services		**22,586,609**	**20,980,784**

Notes to the Annual Financial Report continued

3.2 Employee benefit expenses

3.2.1 Employee benefits in the comprehensive operating statement

	Consolidated	
	2021 $	2020 $
Salaries and wages, annual leave and long service leave	2,273,657	1,984,417
Defined contribution superannuation expense	195,158	180,632
Defined benefit superannuation expense	1,753	2,604
Total employee benefit expenses	**2,470,568**	**2,167,653**

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

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

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	
	2021 $	2020 $
Current provisions:		
Annual leave		
Unconditional and expected to settle within 12 months	210,753	144,646
Long service leave		
Unconditional and expected to settle within 12 months	64,926	59,312
Unconditional and expected to settle after 12 months	122,202	94,273
Provisions for on-costs		
Unconditional and expected to settle within 12 months	10,213	9,435
Unconditional and expected to settle after 12 months	19,222	14,996
Total current provisions for employee benefits	**427,316**	**322,662**
Non-current provisions:		
Employee benefits	35,511	29,146
On-costs	5,586	4,636
Total non-current provisions for employee benefits	**41,097**	**33,782**
Total provisions for employee benefits	**468,413**	**356,444**

Notes to the Annual Financial Report continued

3.2.3 Reconciliation of movement in provision

	Consolidated	
	2021 $	2020 $
Opening balance	**356,444**	**296,543**
Additional provisions recognised	137,454	122,258
Reductions arising from payments/other sacrifices of future economic benefits	(33,976)	(60,533)
Unwind of discount and effect of changes in the discount rate	8,491	(1,824)
Closing balance	**468,413**	**356,444**
Current	427,316	322,662
Non-current	41,097	33,782

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 in the continuing operations section of the comprehensive operating statement, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an 'other economic flow' in the net result.

Notes to the Annual Financial Report continued

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.

	Consolidated		Consolidated	
	Paid contribution for the year		Contribution outstanding at year end	
	2021 $	2020 $	2021 $	2020 $
Defined benefit plans [a]				
State Superannuation Fund	1,315	1,953	438	651
Defined contribution plans				
VicSuper	82,022	83,048	11,093	10,599
Other	89,050	76,473	12,994	10,512
Total	**172,387**	**161,474**	**24,525**	**21,762**

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

3.3 Research and development, royalty and patent expenses

	Consolidated	
	2021 $	2020 $
Contract research and development project expenses	12,523,274	10,546,538
Royalty expenses	4,443,164	5,251,222
Patent expenses	1,763,771	1,829,968
Total Research and development, royalty and patent expenses	**18,730,209**	**17,627,728**

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

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

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

Notes to the Annual Financial Report continued

3.4 Operating expenses

	Consolidated	
	2021 $	2020 $
Low value lease expenses	116,875	108,485
Insurance	90,623	84,358
Legal services	210,421	244,828
Consultants	356,174	142,060
Audit services	96,470	75,630
Other borrowing costs (other than interest)	7,605	6,357
Recruitment Costs	33,096	40,970
ICT Costs	79,350	42,844
Training	97,268	57,074
Other operating expenses	297,950	382,797
Total operating expenses	**1,385,832**	**1,185,403**

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

4. Key assets available to support output delivery

Introduction

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

Significant judgement: Classification of investments as 'key assets'

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

Fair value measurement

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

Notes to the Annual Financial Report continued

4.1 Plant, equipment and vehicles

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
Plant and equipment at fair value	2,659	2,659	(2,616)	(2,603)	43	56
Motor vehicles at fair value	170,999	170,999	(104,123)	(85,472)	66,876	85,527
Net carrying amount	**173,658**	**173,658**	**(106,739)**	**(88,075)**	**66,919**	**85,583**

	Plant, equipment and vehicles at fair value	
	2021 $	2020 $
Opening balance – 1 July 2020	**85,583**	**64,046**
Additions	–	49,245
Disposals	–	–
Depreciation	(18,664)	(27,708)
Closing balance – 30 June 2021	**66,919**	**85,583**

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

Initial recognition: All non-financial physical assets, are measured initially at cost and are subsequently revalued at fair value less accumulated depreciation and if applicable, impairment losses. Where an asset is acquired for no or nominal cost, the cost of the asset is its fair value at the date of acquisition. 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 is subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset's highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised by asset category.

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

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

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

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

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

Notes to the Annual Financial Report continued

4.2 Right-of-use assets

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
Right-of-use asset at fair value [a]	744,588	913,739	(195,802)	(97,901)	548,786	815,838
Net carrying amount	**744,588**	**913,739**	**(195,802)**	**(97,901)**	**548,786**	**815,838**

	Right-of-use asset
	2021 $
Opening balance – 1 July 2020	815,838
Additions	–
Disposals	–
Depreciation	(97,901)
Adjustment at 30 June 2021 [a]	(169,151)
Closing balance – 30 June 2021	**548,786**
Opening balance – 1 July 2019	**913,739**
Additions	–
Disposals	–
Depreciation	(97,901)
Closing balance – 30 June 2020	**815,838**

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

Right-of-use assets – Subsequent measurement

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

4.3 Leasehold improvements

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
Leasehold improvements	732,028	732,028	(152,628)	(79,226)	579,400	652,802
Net carrying amount	**732,028**	**732,028**	**(152,628)**	**(79,226)**	**579,400**	**652,802**

Notes to the Annual Financial Report continued

	Leasehold Improvements	
	2021 $	2020 $
Opening balance – 1 July 2020	**652,802**	**694,746**
Additions	-	6,678
Depreciation	(73,402)	(48,622)
Closing balance – 30 June 2021	**579,400**	**652,802**

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

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

4.4 Depreciation Charges

	Consolidated	
	2021 $	2020 $
Plant and equipment	13	16
Motor vehicles	18,651	27,692
Leasehold improvements	73,402	48,622
Right-of-use assets	97,901	97,901
Total depreciation	**189,967**	**174,231**

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
Right-of-use asset (leased asset)	10
Leasehold improvements	10

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

Notes to the Annual Financial Report continued

4.5 Intangible assets

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

The development costs of these projects are capitalised where the benefits arising from projects are expected to be realised over extended periods of time and the development costs exceed $50,000. Currently costs related to the following projects have been capitalised. In the reporting period no new project costs were capitalised.

	Useful Life (years)	
Project	**Full**	**Remaining**
Primary Oilseeds	18	1
HOLL Canola	19	5

4.5.1 Recognition

Intangible assets are internally generated assets and are initially recognised at cost when the recognition criteria in AASB 138 Intangible Assets are met. For recognition purposes AASB 138 requires that the assets must be in the development stage and that completion must be technically feasible in order to generate probable future economic benefits.

4.5.2 Amortisation

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

Amortisation	**2021 $**	**2020 $**
Amortisation for the period	85,193	85,242

4.5.3 Impairment

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

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

There have been no impairment charges for the reporting period.

Notes to the Annual Financial Report continued

4.5.4 Reconciliation of Movements in Carrying Amount

	Primary Oilseeds		HOLL Canola		Total	
	2021 $	2020 $	2021 $	2020 $	2021 $	2020 $
Gross Carrying Amount						
Opening Balance	1,506,677	1,506,677	300,000	300,000	1,806,677	1,806,677
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Closing Balance	1,506,677	1,506,677	300,000	300,000	1,806,677	1,806,677
Accumulated Amortisation and Impairment						
Opening Balance	(1,372,290)	(1,305,097)	(209,523)	(191,473)	(1,581,813)	(1,496,570)
Amortisation	(67,193)	(67,193)	(18,000)	(18,049)	(85,193)	(85,242)
Closing Balance	(1,439,483)	(1,372,290)	(227,523)	(209,523)	(1,667,006)	(1,581,813)
Net Book Value	**67,194**	**134,387**	**72,477**	**90,477**	**139,671**	**224,864**

4.6 Interests in subsidiary entity

	Ordinary share Entity Interest	
	2021 %	2020 %
Controlled entities		
Phytogene Pty Ltd	100	100

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

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

At the Company Board Meeting on 18 June 2021, the Board authorised the purchase of 200,000 ordinary $1 shares fully paid up. The company owns Phytogene share capital of $1,055,002 at 30 June 2021 (2020: $855,002).

The investment is measured at historical cost and no impairment was identified for year ended 30 June 2021.

Please refer to Note 1.1 for the principles of consolidation.

Notes to the Annual Financial Report continued

5. Other assets and liabilities

Introduction

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

5.1 Receivables

	Consolidated	
	2021 $	2020 $
Current receivables		
Contractual		
Sale of services and royalties	2,194,466	1,340,372
Accrued interest income	655	871
Accrued distribution	1,179,901	-
Other receivables	71,237	46,427
Amounts owed from DJPR	187,025	49,018
Statutory		
GST input tax credit recoverable	180,536	669,729
Total current receivables	**3,813,820**	**2,106,417**

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

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

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

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

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

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

Notes to the Annual Financial Report continued

5.2 Payables

	Consolidated	
	2021 **$**	**2020** **$**
Current payables		
Contractual		
Supplies and services	505,842	602,030
Amounts payable to DJPR	13,776,650	5,786,172
Other payables and accrued expenses	521,150	1,048,312
Unearned income (a)	2,500,000	2,007,000
Statutory		
FBT payable	12,938	12,894
Other taxes payable	63,571	77,666
GST payable	440,084	234,110
Total current payables	**17,820,235**	**9,768,184**

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

Payables consist of:

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

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

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

There are no contingent liabilities as at 30 June 2021 (2020: Nil).

Notes to the Annual Financial Report continued

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

			Maturity dates			
	Carrying amount **$**	**Nominal amount** **$**	**Less than 1 month** **$**	**1-3 months** **$**	**3 months – 1 year** **$**	**1+ years** **$**
2021						
Supplies and services	505,842	505,842	505,842	-	-	-
Amounts payable to DJPR	13,776,650	13,776,650	13,226,650	-	550,000	-
Unearned income	2,500,000	2,500,000	2,500,000	-	-	-
Other payables	521,150	521,150	521,150	-	-	-
Total	**17,303,642**	**17,303,642**	**16,753,642**	**-**	**550,000**	**-**
2020						
Supplies and services	602,030	602,030	52,030	550,000	-	-
Amounts payable to DJPR	5,786,172	5,786,172	5,679,447	-	106,725	-
Unearned income	2,007,000	2,007,000	2,007,000			
Other payables	1,048,312	1,048,312	1,048,312	-	-	-
Total	**9,443,514**	**9,443,514**	**8,786,789**	**550,000**	**106,725**	**-**

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

5.3 Other non-financial assets

	Consolidated	
	2021 **$**	**2020** **$**
Current other assets		
Prepayments	30,522	120,126
Total current other assets	**30,522**	**120,126**

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

Notes to the Annual Financial Report continued

5.4 Investments and other financial assets

	Consolidated 2021 $	Consolidated 2020 $
Current investments and other financial assets		
Victorian Funds Management Corporation (VFMC) – Balanced Fund [(a)]	24,551,356	–
Total current other assets	**24,551,356**	**–**

Note: (a) During the year to 30 June 2021 the Group invested $24,000,000 in the Victorian Funds Management Corporation Balanced Fund.

6. Financing our operations

Introduction

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

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

6.1 Leases

	Consolidated 2021 $	Consolidated 2020 $
Current borrowings		
Lease liabilities motor vehicles [(a)]	36,360	18,182
Total current borrowings	**36,360**	**18,182**
Non current borrowings		
Lease liabilities – motor vehicles	30,839	67,199
Total non current borrowings	**30,839**	**67,199**
Total borrowings	**67,199**	**85,381**

Note: (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.

Notes to the Annual Financial Report continued

Leases are classified as financial instruments. All interest bearing leases 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 leases.

6.2 Interest expense

	Consolidated 2021 $	Consolidated 2020 $
Interest expense		
Interest on lease of motor vehicles	2,506	2,253
Total interest expense	**2,506**	**2,253**

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.

6.2.1 Leases of motor vehicles

	Minimum future lease payments [(a)] 2021 $	Minimum future lease payments [(a)] 2020 $	Present value of minimum future lease payments 2021 $	Present value of minimum future lease payments 2020 $
Lease liabilities payable – motor vehicles [(b)]				
Not longer than 1 year	37,599	20,687	37,599	20,687
Longer than 1 year but not longer than 2 years	31,314	37,599	31,314	37,599
Longer than 2 years	–	31,315	–	31,315
Minimum future lease payments				
Less future finance charges	(1,714)	(4,220)	(1,714)	(4,220)
Present value of minimum lease payments	**67,199**	**85,381**	**67,199**	**85,381**
Included in the annual financial report as:				
Current borrowings lease liabilities (Note 6.1)			36,360	18,182
Non current borrowings lease liabilities (Note 6.1)			30,839	67,199
Total			**67,199**	**85,381**

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.

Notes to the Annual Financial Report continued

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.

6.2.2 Leases Right-of-use Assets

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

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

6.2.2.1 Lease liabilities for Right-of-use Assets

	Consolidated	
	2021 $	2020 $
Current		
Lease liabilities - RoU Assets	92,767	85,539
Total current liabilities	**92,767**	**85,539**
Non current borrowings		
Lease liabilities - RoU Assets	705,912	958,930
Total non current liabilities	**705,912**	**958,930**
Total liabilities for RoU Assets	**798,679**	**1,044,469**

6.2.2.2 Amounts recognised in the Comprehensive Operating Statement

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

	Consolidated	
	2021 $	2020 $
Interest expense on RoU lease liabilities	52,911	48,276
Total amount recognised in the Comprehensive Operating Statement	**52,911**	**48,276**

Notes to the Annual Financial Report continued

6.2.2.3 Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2021 relating to leases:

	Consolidated	
	2021 $	2020 $
Repayment of principal portion of lease liabilities	76,638	105,605
Total cash outflow for leases	76,638	105,605

Treatment of Leased Assets

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

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

Separation of lease and non-lease components

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

Recognition and measurement of leases as a lessee

Lease Liability – initial measurement

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

Lease Liability – subsequent measurement

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

Presentation of right-of-use assets and lease liabilities

The Group presents right-of-use assets as independent assets in the balance sheet and lease liabilities are presented as 'borrowings' in the balance sheet.

Notes to the Annual Financial Report continued

6.3 Cash flows information and balances

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

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

	Consolidated	
	2021 $	2020 $
Cash at bank and on hand	8,715,536	2,333,408
Deposits at call	15,941,399	2,234,194
Deposits < 90 days	-	35,032,752
Balance as per cash flow statement	**24,656,935**	**39,600,354**

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

	Consolidated	
	2021 $	2020 $
Net result for the period	**2,881,377**	**1,400,324**
Non cash movements		
Depreciation and amortisation of non current assets	275,161	259,473
Net (Gain) / Loss on Financial Instruments	(551,356)	-
Movements in assets and liabilities		
(Increase)/decrease in receivables	(1,707,403)	2,543,290
Increase/(decrease) in payables	8,052,050	(8,425,612)
Increase/(decrease) in provisions	111,968	59,901
Increase/(decrease) in other liability	89,604	48,276
Net cash flows from / (used in) operating activities	**9,151,401**	**(4,114,348)**

Notes to the Annual Financial Report continued

6.4 Commitments for expenditure

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

a) Research expenditure and operating lease commitments

Nominal amounts – 2021	**Less than 1 year $**	**1-5 years $**	**Total $**
Research expenditure commitments payable	137,500	137,500	275,000
Total commitments (inclusive of GST)	**137,500**	**137,500**	**275,000**
Less GST recoverable	(12,500)	(12,500)	(25,000)
Total commitments (exclusive of GST)	**125,000**	**125,000**	**250,000**
Nominal amounts – 2020	**Less than 1 year $**	**1-5 years $**	**Total $**
Research expenditure commitments payable	621,500	275,000	896,500
Total commitments (inclusive of GST)	**621,500**	**275,000**	**896,500**
Less GST recoverable	(56,500)	(25,000)	(81,500)
Total commitments (exclusive of GST)	**565,000**	**250,000**	**815,000**

Research expenditure commitments represent investment in research activities of DJPR where the Group acquires an interest in future outcomes from new technology commercialisation. The future lease expenditures cease to be disclosed as commitments as the related liabilities were recognised in the balance sheet.

b) Capital commitments

There are no capital commitments as at 30 June 2021 (2020:nil).

Notes to the Annual Financial Report continued

7. Risks, contingencies and valuation judgements

Introduction

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

7.1 Financial instruments specific disclosures

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

Categories of financial instruments

Financial assets at amortised cost

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

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

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

The Group recognises the following assets in this category:

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

Financial liabilities at amortised cost

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

The Group recognises the following liabilities in this category:

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

Financial assets and liabilities at fair value through net result

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

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

Financial instruments at fair value through net result are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. The Group recognises foreign exchange gains and losses arising from receivables and payables in this category.

Notes to the Annual Financial Report continued

7.1.1 Financial instruments: Categorisation

	2020					2019				
	Cash and deposits $	Financial assets at amortised cost (AC) $	Financial liabilities at amortised cost (AC) $	Financial assets/ liabilities at fair value through profit/ loss (FVTPL)	Total $	Cash and deposits $	Financial assets at amortised cost (AC) $	Financial liabilities at amortised cost (AC) $	Financial assets/ liabilities at fair value through profit/ loss (FVTPL)	Total $
Contractual financial assets										
Cash and deposits										
Cash and deposits	24,656,935	-	-	-	24,656,935	39,600,354	-	-	-	39,600,354
Investments and other financial assets	-	-	-	24,551,356	24,551,356	-	-	-	-	-
Receivables [(a)]										
Sale of services and royalties	-	2,194,466	-	-	2,194,466	-	1,340,372	-	-	1,340,372
Accrued interest income	-	655	-	-	655	-	871	-	-	871
Accrued distribution from VFMC	-	1,179,901	-	-	1,179,901	-	-	-	-	-
Other receivables	-	71,237	-	-	71,237	-	46,427	-	-	46,427
Amounts owed from DJPR	**-**	**187,025**	**-**	**-**	**187,025**	**-**	**49,018**	**-**	**-**	**49,018**
Total contractual financial assets	**24,656,935**	**3,633,284**	**-**	**24,551,356**	**52,841,575**	**39,600,354**	**1,436,688**	**-**	**-**	**41,037,042**
Contractual financial liabilities										
Payables [(a)]										
Supplies and services	-	-	505,842	-	505,842	-	-	602,030	-	602,030
Amounts payable to DJPR	-	-	13,776,650	-	13,776,650	-	-	5,786,172	-	5,786,172
Other payables	-	-	521,150	-	521,150	-	-	1,048,312	-	1,048,312
Borrowings				-						
Lease liabilities - Motor Vehicles	-	-	67,199	-	67,199	-	-	85,381	-	85,381
Lease liabilities - RoU Assets	-	-	798,679	-	798,679	-	-	1,044,469	-	1,044,469
Total contractual financial liabilities	**-**	**-**	**15,669,520**	**-**	**15,669,520**	**-**	**-**	**8,566,364**	**-**	**8,566,364**

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

Notes to the Annual Financial Report continued

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

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

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

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

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

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

Notes to the Annual Financial Report continued

7.1.3 Financial risk management objectives and policies

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

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

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

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

Financial instruments: Credit risk

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

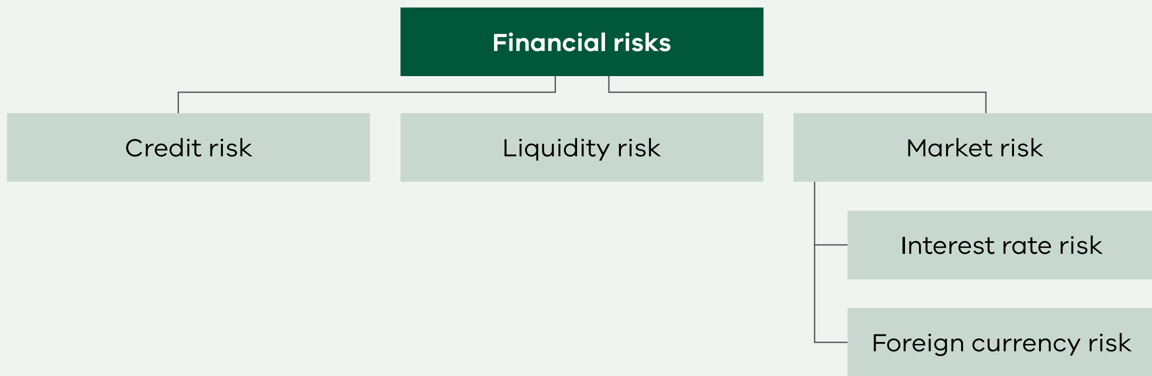
Credit risk associated with the contractual financial assets is minimal because it is the Group's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements where appropriate. The Group does not have a material credit risk exposure to any single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

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

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

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

There has been no material change to the consolidated entity's credit risk profile in 2020-21.



Notes to the Annual Financial Report continued

Financial instruments: Liquidity risk

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

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

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

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

Financial instruments: Market risk

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

Sensitivity disclosure analysis and assumptions

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

- a movement of 25 basis points up and down in market interest rates (AUD);
- a movement of 10 per cent up and 10 per cent down (2020 10 per cent) in equity prices.

Interest rate risk

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

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

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

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

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

Notes to the Annual Financial Report continued

Interest rate exposure of financial instruments for the consolidated entity 2021

2021	Weighted average interest rate %	Carrying amount $	Fixed interest rate $	Variable interest rate $	Non-interest bearing $
Financial assets					
Cash and deposits					
Cash at bank	0.05	8,715,536	-	8,715,536	-
Deposits at call	0.07	15,941,399	-	15,941,399	-
Investment and other financial assets	-	24,551,356	-	-	24,551,356
Receivables (a)					
Sale of services and royalties	-	2,194,466	-	-	2,194,466
Accrued interest income	-	1,180,556	-	-	1,180,556
Other receivables	-	71,237	-	-	71,237
Amounts owed from DJPR	-	187,025	-	-	187,025
Total financial assets		**52,841,575**	**-**	**24,656,935**	**28,184,640**
Financial liabilities					
Payables (a)					
Supplies and services	-	505,842	-	-	505,842
Amounts payable to DJPR	-	13,776,650	-	-	13,776,650
Other payables	-	521,150	-	-	521,150
Borrowings					
Lease liabilities - Motor Vehicles	3.25	67,199	67,199	-	-
Lease liabilities - RoU Assets	4.91	798,679	798,679	-	-
Total financial liabilities		**15,669,520**	**865,878**	**-**	**14,803,642**

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

Notes to the Annual Financial Report continued

Interest rate exposure of financial instruments for the consolidated entity 2020

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

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

Interest rate risk sensitivity for the consolidated entity

2021	Carrying amount	-25 basis points [(a)] Net result	+25 basis points Net result
Financial assets			
Cash and deposits			
Cash at bank	8,715,536	(2,179)	2,179
Deposits at call	15,941,399	(3,985)	3,985
Total impact	**24,656,935**	**(6,164)**	**6,164**

Note: (a) The sensitivity rate in 2021 to 25 basis points (2020: 25 basis points).

Notes to the Annual Financial Report continued

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

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

Foreign currency risk

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

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

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

The Group's receivables and payables are not exposed to foreign currency movements in 2021. (2020: nil).

Equity price risk

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

2021	Carrying amount	-10% Net result	+10% Net result
Financial assets			
Investments and other financial assets	24,551,356	(2,455,136)	2,455,136
Total impact	**24,551,356**	**(2,455,136)**	**2,455,136**

Notes to the Annual Financial Report 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.

There are no contingent assets and liabilities as at 30 June 2021. (2020: Nil)

7.3 Fair value determination

Significant judgement: Fair value measurements of assets and liabilities

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

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

Fair value hierarchy

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

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

No transfers between Levels was required during the 2020-21 financial year. (2019-20: 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; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
  - a reconciliation of the movements in fair values from the beginning of the year to the end; and
  - details of significant unobservable inputs used in the fair value determination.

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

Fair value determination of financial assets and liabilities

The Group currently holds a range of financial instruments that are recorded in the annual financial report where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2020-21 reporting period.

Notes to the Annual Financial Report continued

These financial instruments include:

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

Fair value determination of non-financial assets

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

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

Fair value measurement hierarchy

		Fair value measurement at end of reporting period using:		
2021	**Carrying amount as at 30 June 2021**	**Level 1 (a)**	**Level 2 (a)**	**Level 3 (a)**
Plant, equipment and vehicles at fair value				
Vehicles	66,876	n.a	-	66,876
Plant and equipment	43	n.a	-	43
Right of Use assets	548,786	n.a	-	548,786
Leasehold improvement	579,400	n.a	-	579,400
Intangible assets	139,671	n.a	-	139,671
Total non-financial assets at fair value	**1,334,776**		-	**1,334,776**

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

Notes to the Annual Financial Report continued

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

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

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 lives. The process of acquisition, use and disposal in the market is managed by the fleet manager who sets relevant depreciation rates during use to reflect the utilisation of the vehicles.

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

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2021.

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

Notes to the Annual Financial Report continued

Description of significant unobservable inputs to Level 3 valuations

2020 and 2021	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
Right of Use assets	Initial amount of the lease liability adjusted of any lease incentive received	Book Value The remaining term of the lease
Leasehold Improvement	Current replacement cost	Cost per unit The remaining term of the lease
Intangible assets	NPV of future cash flow	Book Value

Note *(a) Significant unobservable inputs have remained unchanged since June 2020.*

8. Other disclosures

Introduction

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

8.1 Other economic flows included in net result

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

- revaluation of the present value of the long service leave liability due to changes in the bond interest rates
- revaluation of financial instruments held at balance date 30 June 2021, refer note 7.1 Financial instruments specific disclosures
- reversal of an asset impairment; and
- transfer of amounts from reserves to accumulated surplus or net result due to a disposal or derecognition or reclassification.

	2021 $	2020 $
Net gain/(loss) on financial instruments		
Net Gain / (Loss) on Financial Instruments	551,356	-
Net FX gain/(loss) arising from foreign cash and transaction	(5,405)	(6,524)
Total net gain/(loss) on financial instruments	**545,951**	**(6,524)**
Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability [(a)]	8,491	(1,824)
Total other gains/(losses) from other economic flows	**8,491**	**(1,824)**

Notes: *(a) Revaluation gain/(loss) due to changes in bond rates.*

Notes to the Annual Financial Report continued

8.2 Responsible persons

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

Responsible Minister

The person who held the position of responsible minister is the Minister for Agriculture, the Hon Jaclyn Symes MP was Minister from 1 July 2020 to 22 December 2020 then the Hon. Mary-Anne Thomas MP was appointed Minister from 22 December to 30 June 2021.

Remuneration of Responsible Minister

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

The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and are reported within the 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:

Ms S. Andersen (AVS Chair)	1 July 2020 to 30 June 2021
Dr A Caples (AVS Director)	1 July 2020 to 30 June 2021
Dr R. Aldous (AVS Director and Phytogene Chair)	1 July 2020 to 30 June 2021
Dr C. Noble (AVS and Phytogene Director)	1 July 2020 to 30 June 2021
Dr L. Macleod (AVS Director)	1 July 2020 to 30 June 2021
Mr P. Turvey (AVS Director and Phytogene Chair)	1 July 2020 to 09 June 2021
Prof. G. Spangenberg (Phytogene Director)	1 July 2020 to 30 June 2021
Mr D. Liesegang (AVS CEO and Phytogene EO)	1 July 2020 to 30 June 2021

Remuneration of Directors and Accountable Officers

Remuneration received or receivable by each director of the Board in connection with the management of the Company during the reporting period was in the range: $30,000 to $40,000 (2020: $20,000 – $30,000).

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

Remuneration received or receivable by the accountable officer in connection with management of the group during reporting period was in the range: $290,000 to $300,000 (2020: $290,000 to $300,000).

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

8.3 Remuneration of executives

The number of executive officers, other than directors 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.

Notes to the Annual Financial Report continued

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

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

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

	Total remuneration	
Remuneration of executive officers (including Key Management Personnel disclosed in Note 8.4)	**2021 $**	**2020 $**
Short-term employee benefits	604,630	588,917
Post-employment benefits	54,162	54,803
Other long-term benefits	100,864	83,643
Total remuneration [a]	**759,656**	**727,354**
Total number of executives	3	4
Total annualised employee equivalents [b]	3	3

Notes: (a) *The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.4).*
(b) *Annualised employee equivalent is based on the time fraction worked over the reporting period.*

8.4 Related parties

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

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

Subsidiary

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

Key management personnel

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

Ms S. Andersen (AVS Chair)	1 July 2020 to 30 June 2021
Dr A Caples (AVS Director)	1 July 2020 to 30 June 2021
Dr R. Aldous (AVS Director and Phytogene Chair)	1 July 2020 to 30 June 2021
Dr C. Noble (AVS and Phytogene Director)	1 July 2020 to 30 June 2021
Dr L. Macleod (AVS Director)	1 July 2020 to 30 June 2021
Mr P. Turvey (AVS Director and Phytogene Chair)	1 July 2020 to 09 June 2021
Prof. G. Spangenberg (Phytogene Director)	1 July 2020 to 30 June 2021
Mr D. Liesegang (AVS CEO and Phytogene EO)	1 July 2020 to 30 June 2021

Notes to the Annual Financial Report continued

Compensation of KMPs	Consolidated 2021 $	2020 $
Short-term employee benefits	336,216	338,538
Post-employment benefits	31,082	31,650
Other long-term benefits	75,139	68,521
Total remuneration (a)(b)(c)	**442,437**	**438,709**

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 subsidiary.*
(c) *No remuneration paid to the two directors employed by Victorian Public Service.*

Transactions and balances with key management personnel and other related parties

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

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

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

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

8.5 Significant commercial transactions with the State of Victoria

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

For the year ended 30 June 2021 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 2021 $	2020 $
Revenues Received from the DJPR	5,000,000	3,548,205
Expenses Paid to the DJPR	7,895,313	15,517,971
Receivables Receivable from the DJPR	187,025	49,018
Payables Payable to the DJPR	13,776,650	5,786,172

Notes to the Annual Financial Report continued

8.6 Parent entity information

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

Investments in subsidiary

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

Parent Entity Balance Sheet	2021 $	2020 $
Assets		
Financial assets		
Cash and deposits	24,410,892	39,528,520
Receivables	3,813,299	2,105,958
Other financial assets	1,055,002	855,002
Investment in VFMC	24,551,356	-
Total financial assets	**53,830,549**	**42,489,480**
Non financial assets		
Plant, equipment and motor vehicle	66,919	85,583
Intangible assets	139,671	224,864
Right of Use assets	548,786	815,838
Leasehold Improvements in progress	579,400	652,802
Other non-financial assets	30,522	120,126
Total non financial assets	**1,365,298**	**1,899,213**
Total assets	**55,195,847**	**44,388,693**
Liabilities		
Payables	17,809,218	9,756,730
Borrowings	67,199	85,381
Right of Use liability	798,679	1,044,469
Employee related provisions	468,413	356,444
Total liabilities	**19,143,509**	**11,243,024**
Net assets	**36,052,338**	**33,145,669**
Equity		
Accumulated surplus/(deficit)	31,052,338	28,145,669
Contributed capital	5,000,000	5,000,000
Net worth	**36,052,338**	**33,145,669**
Net result from transactions (net operating balance)	2,352,227	1,468,118
Other economic flows included in net result	554,442	(8,348)
Total Comprehensive result	**2,906,669**	**1,459,770**

Notes to the Annual Financial Report continued

Contingent Assets and Liabilities of the parent entity

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

There are no contingent assets and liabilities as at 30 June 2021. (2020: nil)

Capital Commitments of the parent entity

There are no capital commitments as at 30 June 2021. (2020: nil)

Share Capital

5,000,000 fully paid ordinary shares $5,000,000 in 2021. (2020: $5,000,000)

8.7 Remuneration of auditors

	Consolidated	
	2021 $	2020 $
Victorian Auditor General's Office		
Audit the annual financial report	44,310	44,100
HLB Mann Judd Pty Ltd		
Internal Audit Services	52,160	31,530
Other non audit services [(a)]	-	-
Total remuneration of auditors	**96,470**	**75,630**

Note: *(a) The Victorian Auditor-General's Office is not permitted 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 the annual financial report

Contributions by owners

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

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

Foreign currency balances / transactions

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

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

Notes to the Annual Financial Report continued

Comprehensive operating statement

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

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

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

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

Balance Sheet

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

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

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

Cash Flow Statement

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

Statement of Changes in Equity

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

Accounting for goods and services tax

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

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

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

Notes to the Annual Financial Report continued

Income tax

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

Compliance information

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

8.10 Australian Accounting Standards issued that are not yet effective

Certain new and revised accounting standards have been issued but are not effective for the 2020-21 reporting period. These accounting standards have not been applied in the preparation of this annual financial report. The Company is reviewing its existing policies and assessing the potential implications of these accounting standards on future annual reports of the Company. The standards which are not yet effective are:

- AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non- Current
- This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.
- It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date to defer the application by one year to periods beginning on or after 1 January 2023.
- The Company will not early adopt the Standard. The Group is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

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

- AASB 17 Insurance Contracts.
- AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).
- AASB 2020-2 Amendments to Australian Accounting Standards - Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.
- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments.
- AASB 2020-7 Amendments to Australian Accounting Standards - Covid-19-Rent Related Concessions: Tier 2 Disclosures.
- AASB 2020-8 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2.
- AASB 2020-9 Amendments to Australian Accounting Standards - Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments.

Notes to the Annual Financial Report continued

8.11 Glossary of technical terms

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

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

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

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

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

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

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

Financial asset is any asset that is:

(a) cash;

(b) an equity instrument of another entity;

(c) a contractual right:

- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or

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

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

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.

Notes to the Annual Financial Report continued

The annual financial report comprise:

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

(b) a comprehensive operating statement for the period;

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

(d) a cash flow statement for the period;

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

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

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

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

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

Net financial liabilities is calculated as liabilities less financial assets.

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

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

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

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

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

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

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

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

Notes to the Annual Financial Report continued

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

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

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

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

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

8.12 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 annual financial report and notes are presented based on the illustration for government departments/agencies in the 2020-21 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
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
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

Agriculture Victoria Services Pty Ltd

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