

PHYTOGENE PTY LTD



2016

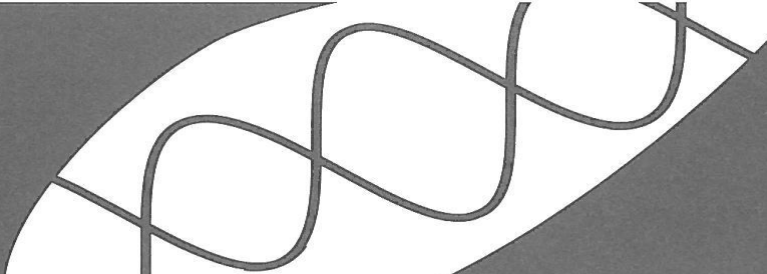
ANNUAL REPORT

Acknowledgements

Front cover: Trial plots of LXR® alfalfa. Image provided courtesy of Instituto de Agrobiotecnología de Rosario.

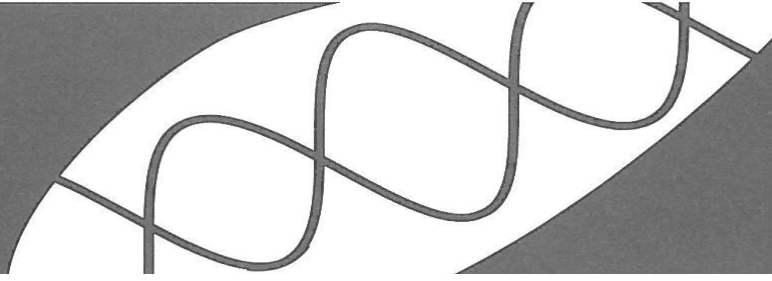


Phytogene Pty Ltd
ACN 098 823 235
475 Mickleham Road
Attwood, Victoria 3049
03 9217 4125



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GLOSSARY OF TERMS

AVS	Agriculture Victoria Services Pty Ltd.
BET	Biomass enhancement technology
Company ('the Company')	Phytogene Pty Ltd.
Department ('the Department')	Victorian Department of Economic Development, Jobs, Transport and Resources
LXR®	Delayed plant leaf senescence technology. Pronounced 'Elixir'
Phytogene	Phytogene Pty Ltd is a wholly owned subsidiary of AVS.



COMPANY INFORMATION

Directors

Dr JM Slocombe (Chairman)
Dr CL Noble
Professor GC Spangenberg

Chief Scientific Officer

Professor GC Spangenberg

Company Secretary

Mr BG Lang (Acting)

Registered Office

475 - 485 Mickleham Road
Attwood, VIC 3049
Telephone (03) 9217 4134
Facsimile (03) 9217 4161

Auditors

Auditor General of Victoria
Level 24, 35 Collins Street
Melbourne, VIC 3000

Bankers

Commonwealth Bank Aust.
499 St Kilda Road
Melbourne, VIC 3004

Treasury Corporation of Victoria
Level 12, 1 Collins Street
Melbourne, VIC 3000

A.C.N 098 823 235
A.B.N 45 098 823 235



Review of Business

Phytogene Pty Ltd is a wholly owned subsidiary company of Agriculture Victoria Services Pty Ltd. The company's purpose is to commercialise a proprietary and patented delayed plant leaf senescence technology, with the trade mark **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 exclusive commercialisation rights to another yield-enhancing trait (biomass enhancement technology) which is complementary to the LXR® technology and developed by AVS and the former Molecular Plant Breeding CRC.

Following early seed funding from AVS, Phytogene has been financially self-sufficient since 2008 with payments received from licensees providing sufficient funding to support its operations.

Phytogene continues to maintain a low cost structure while it builds value in the technology and seeks further commercial opportunities. As a result, Phytogene has been able to meet the operating loss of \$61,238 incurred in 2015–16 from its own internal cash resources. Internal cash reserves provide sufficient funds to support Phytogene's operations over the next two to three years, following which, commercial income is projected to ensure the company's ongoing financial viability.

Glasshouse and field trial results to date have provided evidence of proof of concept for LXR® in the dicotyledonous species alfalfa, canola and white clover. Proof of concept in a monocotyledonous species has been demonstrated in wheat through extensive field trials of LXR® and BET technologies, conducted by the Department's Biosciences Research branch on behalf of Phytogene.

Wheat trials conducted in both 2014–2015 and 2015–16 showed yield gains that ranged between 10 per cent and 30 per cent in irrigated conditions and up to 60 per cent under drought (rain-fed) conditions.

During 2015–16 Phytogene's commercial licensee for LXR® in alfalfa in Argentina, INDEAR (Instituto de Agrobiotecnología de Rosario South America), has been preparing for commercial LXR® alfalfa event production by incorporating the LXR® trait into the company's alfalfa germplasm.

As a result of the successful progress to date, Phytogene and INDEAR signed a licence agreement to extend INDEAR's rights to apply LXR® in alfalfa beyond Argentina to now include Uruguay.

Phytogene also continues to strengthen its intellectual property portfolio of LXR® and BET patents around the world with the granting of patents in several countries in 2015–16. In Australia, the LXR® modified promoter patent was granted in August 2015, and the BET patent was granted in December 2015. BET-related patents were also granted in Japan and Mexico.

Dr Judith Slocombe
CHAIRMAN



PROTECTED DISCLOSURE ACT 2012

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. The Protected Disclosure 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.

What is a 'protected disclosure'?

A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body. Phytogene is a "public body" for the purposes of the Act.

What is 'improper or corrupt conduct'?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources; or
- risk to public health or safety or the environment; or
- corruption.

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

How do I make a 'Protected Disclosure'?

You can make a protected disclosure about Phytogene or its board members, officers or employees by contacting the Independent Broad-based Anti-corruption Commission on the contact details provided below. Please note that Phytogene is not able to receive protected disclosures.

How Can I access Phytogene's procedures for the protection of persons from detrimental action?

Phytogene has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Phytogene or its employees. You can access Phytogene's procedures on the AVS website at: www.agvic.com.au

Contacts

Independent Broad-Based Anti-Corruption Commission Victoria

Address: Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001.

Mail: IBAC, GPO Box 24234, Melbourne Victoria 3000

Internet: www.ibac.vic.gov.au

Phone: 1300 735 135

Email: see the website above for the secure email disclosure process, which also provides for anonymous disclosures.



DIRECTOR'S REPORT

The Board of Directors present their report together with the financial report for Phytogene Pty Ltd ("the Company") for the year ended 30 June 2016, and the auditors' report thereon.

Directors

The names of the directors of the Company at any time during or since the end of the financial year are:

Dr. JM Slocombe Dr. CL Noble Prof. GC Spangenberg

All directors were in office from the beginning of the financial year until the date of this report.

Principal Activity & State of Affairs

The principal activity of the Company during the financial year was to further develop and commercialise technologies associated with delayed plant senescence and biomass enhancement.

There was no significant change in the nature of the activities or state affairs of the Company during the financial year.

Results and Dividends

The comprehensive result for the Company for the financial year was a loss of \$61,238 (2015: loss of \$92,390).

The directors do not recommend payment of a final dividend and no dividend has been paid during the year ended 30 June 2016 (2015:Nil).

Likely Developments

The Company will continue to develop its technologies over the coming year and seek commercial opportunities related thereto. No significant changes are expected to the principal activities of the Company during the next financial year.

Events Subsequent to Balance Date

No matters or circumstances have arisen since the end of the financial year and the date of this report which significantly affected or may significantly affect the operations of the Company, the results of the operations, or the state of affairs of the Company in subsequent financial years.

Environment Regulation

The Company is not significantly affected by any environmental legislation.

**DIRECTORS' REPORT (continued)****Directors Meetings**

The following persons were directors of the company during the year. Their respective attendances at directors' meetings are as listed:

	No. Meetings Attended	No. Meetings Eligible
Dr JM Slocombe	4	4
Dr CL Noble	4	4
Prof GC Spangenberg	3	4

Indemnification and Insurance of Officers and Auditors

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company or of a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings.

For and on behalf of the Board in accordance with a resolution of the directors.

Prof. German Spangenberg
Director
24 August 2016

Dr Clive Noble
Director
24 August 2016

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the Directors, Phytogene 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.

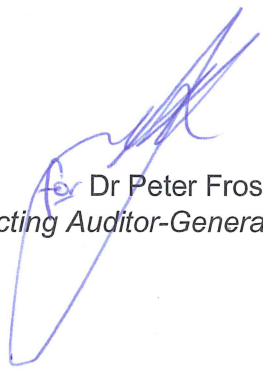
Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for Phytogene Pty Ltd for the year ended 30 June 2016, 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
29 August 2016


Dr Peter Frost
Acting Auditor-General

Financial Statements



**COMPREHENSIVE OPERATING STATEMENT
FOR YEAR ENDED 30 JUNE 2016**

	Notes	2016 \$	2015 \$
Income from transactions			
Revenue from activities		7,501	9,953
Total Income from transactions	2	7,501	9,953
Expenses from transactions			
Expenses from activities		68,739	102,343
Total Expenses from transactions	3	68,739	102,343
Comprehensive Result		(61,238)	(92,390)

The Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

**BALANCE SHEET
AS AT 30 JUNE 2016**

	Notes	2016 \$	2015 \$
Assets			
Financial Assets			
Cash and deposits	11a	359,676	388,450
Receivables	4	653	491
TOTAL FINANCIAL ASSETS		360,329	388,941
Liabilities			
Payables	5	46,400	13,774
TOTAL LIABILITIES		46,400	13,774
NET ASSETS		313,929	375,167
Equity			
Share capital		855,002	855,002
Accumulated deficit		(541,073)	(479,835)
NET WORTH		313,929	375,167

The Balance Sheet should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR YEAR ENDED 30 JUNE 2016**

	Notes	Equity at 1 July 2015	Net result	Other comprehensive income	Equity at 30 June 2016
Share Capital		855,002	-	-	855,002
Accumulated Surplus/(Deficit)		(479,835)	(61,238)	-	(541,073)
Total equity at end of financial year		375,167	(61,238)	-	313,929

	Notes	Equity at 1 July 2014	Net result	Other comprehensive income	Equity at 30 June 2015
Share Capital		855,002	-	-	855,002
Accumulated Surplus/(Deficit)		(387,445)	(92,390)	-	(479,835)
Total equity at end of financial year		467,557	(92,390)	-	375,167

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CASH FLOW STATEMENT
FOR YEAR ENDED 30 JUNE 2016**

		2016	2015
	Notes	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		1,904	3,049
Interest received		7,101	10,664
Payments			
Cash paid to suppliers		(37,779)	(103,872)
Net cash provided by operating activities	11b	(28,774)	(90,159)
Net increase in cash and cash equivalents		(28,774)	(90,159)
Cash and cash equivalents at beginning of financial year		388,450	478,609
Cash and cash equivalents at 30 June 2016	11a	359,676	388,450

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Reporting entity**

The financial statements cover Phytogene Pty Ltd (the Company) as an individual reporting entity. The Company is a private company, established on 13 November 2001. Its principal address is:

475 Mickleham Road, Attwood, Victoria 3049.

The significant accounting policies adopted in the preparation of the financial statements are as follows:

(b) Statement of Compliance

These general-purpose financial statements for the year ending 30 June 2016, have been prepared in accordance with Australian Accounting Standards, including interpretations (AASs) and the Corporations Act 2001.

Accounting policies are selected and 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.

To gain a better understanding of the terminology used in this report, a glossary of terms and style conventions can be found in Note 13.

These annual financial statements were authorised for issue by the Directors of the Company on 10 August 2016.

(c) Basis of Preparation

The accrual basis of accounting has been applied in the preparation of these financial statements 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.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention

The accounting policies set out below have been consistently applied by the Company throughout the reporting period.

(d) Scope and presentation of financial statements**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, together with the net result from discontinued operations, represents the net result.

'Other economic flows' are changes arising from market remeasurements. They include gains and losses from impairments of non-current physical and intangible assets; and fair value changes of financial instruments.

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

Balance Sheet

Items of assets and liabilities in the balance sheet are presented in liquidity order and aggregated into financial and non-financial assets. Current versus non-current assets and liabilities are disclosed in the notes where relevant.

Statement of Changes in Equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the year to the closing balance at the end of the year, showing separately movements due to amounts recognised in the comprehensive result and amounts recognised in equity related to transactions with owners in their capacity as owners.

Cash Flow Statement

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****1. STATEMENT OF ACCOUNTING POLICIES (continued)*****Rounding***

Amounts in the financial statements (including the notes) have been rounded to the nearest one dollar (\$1), unless otherwise stated. Figures in the financial statements may not equate due to rounding. Please refer to the end of Note 13 for a style convention for explanations of minor discrepancies resulting from rounding.

(e) *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 a current 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.

(f) *Income Tax*

Phytogene Pty Ltd is a wholly owned subsidiary of Agriculture Victoria Services Pty Ltd, a company whose shares are owned by the State Government of Victoria. The Company is exempt from income tax under Sec 24AO I.T.A.A. and as such does not adopt tax effect accounting.

(g) *Income from transactions*

Amounts disclosed as income from transactions are recognised to the extent that it is probable that the economic benefits will flow to the Company, can be measured reliably and where applicable, net of returns, allowances and duties and taxes. Income is recognised for each of the Company's activities as follows:

- Grant monies are recognised at the point cash is received from the grant authority.
- Income from the sale of services is recognised upon delivery of the services to the customer.
- Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(h) *Expenses from transactions*

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred.

(i) *Other economic flows included in net result*

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

Net gain/(loss) on financial instruments

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments that are designated at fair value through profit or loss or held-for-trading, impairment and reversal of impairment for financial instruments at amortised cost, and disposal of financial assets.

(j) *Financial instruments*

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The following refers to financial instruments unless otherwise stated.

Loans and receivables

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

Loans and receivables category includes cash and deposits, term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables

Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest-bearing liability, using the effective interest rate method (refer to Note 12).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****1. STATEMENT OF ACCOUNTING POLICIES (continued)**

Financial instrument liabilities measured at amortised cost include all of the Company's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

(K) Financial Assets**Cash and deposits**

Cash and cash equivalents comprises cash on hand, cash in banks and deposits subject to an insignificant risk of changes in value and that are held for less than 90 days.

Receivables

Receivables consist of:

- Contractual receivables, which include mainly debtors in relation to goods and services and accrued income. Trade debtors are recognised at the amounts receivable, as they are due for settlement no more than thirty days from the date of recognition, and
- Statutory receivables, which include predominately GST input tax credits recoverable.

Receivables that are contractual are classified as financial instruments. Statutory receivables are not classified as financial instruments. Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

Impairment of financial assets

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result.

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment of financial assets

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016

1. STATEMENT OF ACCOUNTING POLICIES (continued)

(l) **Liabilities**

Payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are normally settled within 30 days.

(m) **Foreign Currency Transactions**

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign monetary items at reporting date are translated at the exchange rate existing at reporting date. Exchange differences are recognised in profit or loss in the period in which they arise.

(n) **New Accounting Standards and Interpretations**

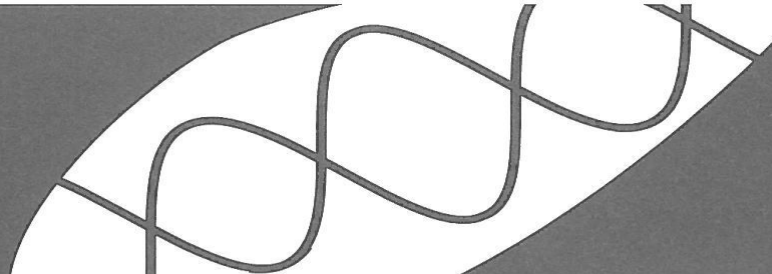
Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. Phytogene assesses the impact of these new standards and their applicability and early adoption where applicable.

As at 30 June 2016, there are a number of standards and interpretations had been issued but were not mandatory for the financial year ending 30 June 2016. Phytogene has not, and does not intend to, adopt these standards early.

Topic	Key requirements	Effective date
AASB 9 <i>Financial Instruments</i>	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 January 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 January 2018
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 January 2019
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i> [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: the change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and other fair value changes are presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2018



<i>Topic</i>	<i>Key requirements</i>	<i>Effective date</i>
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018; as a consequence of Chapter 6; and to amend reduced disclosure requirements.	1 January 2018
AASB 2014-4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]</i>	AASB 2014-4 amends AASB 116 and AASB 138 to: establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends.	1 January 2017, except amendments to AASB 9 (December 2009) and AASB 9 (December 2010) apply 1 January 2018.
AASB 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 January 2018
AASB 2014-9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i>	Amends AASB 127 to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. In particular, dividends from a subsidiary, a joint venture or an associate are recognised in profit or loss in the separate financial statements of an entity when the entity's right to receive the dividend is established. The dividend is recognised in profit or loss unless the entity elects to use the equity method, in which case the dividend is recognised as a reduction from the carrying amount of the investment.	1 January 2016
AASB 2014-10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]</i>	Amends AASB 10 and AASB 128 to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: a full gain or loss to be recognised when a transaction involves a business (whether it is housed in a subsidiary or not); and a partial gain or loss to be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.	1 January 2016
AASB 2015-1 <i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5,</i>	Amends the methods of disposal in AASB 5 Non-current assets held for sale and discontinued operations. Amends AASB 7 Financial Instruments by including further guidance on servicing contracts.	1 January 2016



Topic	Key requirements	Effective date
AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]		
AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]	AASB 2015-6 extends the scope of AASB 124 <i>Related Party Disclosures</i> to not-for-profit public sector entities. Guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 January 2016

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2015-16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting.

- AASB 14 *Regulatory Deferral Accounts*
- AASB 1056 *Superannuation Entities*
- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2014-1 *Amendments to Australian Accounting Standards [Part D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only]*
- AASB 2014-3 *Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]*
- AASB 2014-6 *Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]*
- AASB 2015-5 *Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]*
- AASB 2015-9 *Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]*
- AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$
2 INCOME FROM TRANSACTIONS		
Income from continuing operations		
(a) Income from services	-	-
(b) Interest	7,501	9,953
(c) Grants	-	-
Total income from transactions	7,501	9,953
3 EXPENDITURE FROM TRANSACTIONS		
Audit services	6,400	6,300
Project expenses	40,000	30,000
Patent expenses	21,572	65,187
Other operating expenses	767	856
Total expenses from transactions	68,739	102,343
4 TRADE AND OTHER RECEIVABLES		
Current		
Contractual		
Sale of goods and services	-	-
Other receivables	563	163
	563	163
Statutory		
GST Input tax credit recoverable	90	328
Total current receivables	653	491
(a) Ageing analysis of receivables		
Please refer to table 12.2 in note 12 for the aging analysis of receivables.		
(b) Nature and extent of risks arising from receivables		
Please refer to Note 12 for the nature and extent of risks arising from receivables.		
5 TRADE AND OTHER PAYABLES		
Current		
Amounts due to parent entity	-	390
Supplies and services	-	6,727
Other payables and accrued expenses	46,400	6,657
	46,400	13,774
(a) Maturity analysis of trade and other payables		
Please refer to table 12.3 in Note 12 for the aging analysis of payables		
(b) Nature and extent of risk arising from trade and other payables		
Please refer to Note 12 for the nature and extent of risks arising from payables.		

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****6 AUDITORS REMUNERATION**

	2016	2015
	\$	\$
Audit Services		
<i>Victorian Auditor General's Office</i>		
Audit of the financial report	<u>6,400</u>	<u>6,300</u>

7 DIRECTORS' REMUNERATION**Directors Benefit's**

No director of the company has received or become entitled to receive a benefit nor have there have been any transactions with any director of the company.

8 CAPITAL & EXPENDITURE COMMITMENTS & CONTINGENT LIABILITIES

There are no capital or expenditure commitments or contingent liabilities as at 30 June 2016. (2015: Nil)

9 SEGMENT REPORTING

The company operated predominantly in the agricultural and allied industries within Australia

10 RELATED PARTY TRANSACTIONS

The names of each person holding the position of director of the company during the period 1 July 2015 to 30 June 2016 are Prof. GC Spangenberg, Dr. JM Slocombe and Dr. CL Noble.

Details for directors' remuneration and retirement benefits are set out in Note 7.

Other than reported in Note 7, there were no transactions of a financial nature between the Company and its directors during the reporting period.

No director has entered into a contract with the company since the end of the previous financial year and there were no contracts involving directors' interests subsisting at year end. No director holds, or has previously held shares in the Company.

The company is wholly owned by Agriculture Victoria Services Pty Ltd (parent entity), an entity owned by the State Government of Victoria (ultimate parent entity). As such all State Government departments are considered to be related parties to Phytogene Pty Ltd. Prof. GC Spangenberg is employed by the Victorian Government Department of Economic Development, Jobs, Transport and Resources (the Department).

For the period ended 30 June 2016 the Department was the major supplier of services to the company. These services were provided on a normal commercial basis. The value of the transactions between the Company and the related parties for the financial period were as follows:

Expenses	2016	2015
	\$	\$
Expenses paid to the Department	40,000	-
Expenses paid to parent entity	300	9,414
	<u>40,300</u>	<u>9,414</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****11 CASH FLOW STATEMENT**

(a) For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and deposits at call, net of outstanding overdraft. Cash at end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows :

	2016	2015
	\$	\$
Cash at bank and on hand	12,022	23,528
Deposits at call	27,654	29,922
Deposits < 90 days	320,000	335,000
Cash and cash equivalents	359,676	388,450

(b) Reconciliation of net cash provided by operating activities to opening profit for the year:

Operating Profit/(Loss) for the year	(61,238)	(92,390)
Changes to Assets and Liabilities <i>(Increase)/decrease in assets</i>		
Receivables	(162)	820
<i>Increase/(decrease) in liabilities</i>		
Payables	32,626	1,411
Net cash from operating activities	(28,774)	(90,159)

12 FINANCIAL INSTRUMENTS

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 are disclosed in Note 1 to the financial statements.

Table 12.1 Categorisation of financial instruments

Financial asset	Note	Category	Carrying amount	
			2016	2015
			\$	\$
Cash and cash equivalents	11a	Cash	359,676	388,450
Receivables	4	Loans and receivables (at amortised cost)	563	163
Financial liabilities	Note	Category	Carrying amount	
			2016	2015
			\$	\$
Payables	5	Financial liabilities (at amortised cost)	46,400	13,774

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****12 FINANCIAL INSTRUMENTS (continued)****(a) Credit Risk**

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents and trade and other receivables.

The Company's exposure to credit risk arises from the potential default of counter party on their contractual obligations resulting in financial loss to the Company. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Company's financial assets is minimal because the main debtor is parent entity Agriculture Victoria Services Pty Ltd (AVS). For debtors other than AVS, it is the Company's policy to only deal with entities with high credit ratings and or to obtain sufficient collateral or credit enhancements where appropriate.

The Company does not have any material credit risk exposure to any single debtor or group of debtors. In addition, the Company does not engage in hedging for its financial assets.

Provision of impairment for financial assets is calculated based on past experience, and current and expected changes in client credit ratings.

The Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is the carrying amount of the financial assets as detailed in table 12.1.

Financial assets that are either past due or impaired

Currently the Company does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date, there is no event to indicate that any of the financial assets were impaired.

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

The following table discloses the ageing of financial assets that are past due but not impaired:

Table 12.2 Interest rate exposure and aging analysis of financial assets

	Weighted average effective interest rate %	Carrying amount	Interest rate exposure			Not past due and not impaired	Past due but no impaired		
			Fixed interest rate	Variable interest rate	Non interest bearing		1-3 months	3 months - 1 year	> 1 year
2016									
Cash at bank	0.00	12,022	-	-	12,022	12,022	-	-	-
Deposits at call	1.92	27,654	-	27,654	-	27,654	-	-	-
Deposits < 31 days	2.08	320,000	320,000	-	-	320,000	-	-	-
Trade and other receivables	0.00	563	-	-	563	563	-	-	-
		360,239	320,000	27,654	12,585	360,239	-	-	-
2015									
Cash at bank	0.00	23,528	-	-	23,528	23,528	-	-	-
Deposits at call	2.42	29,922	-	29,922	-	29,922	-	-	-
Deposits < 31 days	2.56	335,000	335,000	-	-	335,000	-	-	-
Trade and other receivables	0.00	163	-	-	163	163	-	-	-
		388,613	335,000	29,922	23,691	388,613	-	-	-



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016**

12 FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

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

The Company's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

Maximum exposure to liquidity risk is the carrying amounts of financial liabilities detailed in table 12.1.

The following table discloses the contractual maturity analysis for the Company's financial liabilities

Table 12.3a Interest rate exposure and maturity analysis of financial liabilities

	Weighted average effective interest rate %	Interest rate exposure				Maturity Dates				
		Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing	Nominal amount	Current	1-3 months	3 months - 1 year	> 1 year
2016										
Amounts due to parent entity	-	-	-	-	-	-	-	-	-	-
Supplies and services	-	-	-	-	-	-	-	-	-	-
Other payables and accrued expenses	-	46,400	-	-	46,400	46,400	46,400	-	-	-
		46,400	-	-	46,400	46,400	46,400	-	-	-
2015										
Amounts due to parent entity	-	390	-	-	390	390	390	-	-	-
Supplies and services	-	6,727	-	-	6,727	6,727	6,727	-	-	-
Other payables and accrued expenses	-	6,657	-	-	6,657	6,657	6,657	-	-	-
	-	13,774	-	-	13,774	13,774	13,774	-	-	-

(c) Market risk

The Company's exposures to market risk are primarily through interest rate risk and exposure to foreign currency. Objectives, policies and processes used to manage each of these risks are disclosed in the paragraphs below. The Company does not have exposure to other price risks.

Foreign currency risk

The Company currently has no foreign currency dealings. The Company manages its risk through continuous monitoring of movements in the exchange rate, together with rigorous cash flow planning and monitoring. In the past it has been deemed unnecessary for the Company to enter into any hedging arrangements to manage foreign currency risk. However given that the entity anticipates an increase in transactions resulting in foreign exchange, this position is being re-evaluated.

Interest rate risk

Exposure to interest rate risk is insignificant as the Company does not have any interest bearing assets and liabilities.

The Company's exposure to interest rate risk is set out in the Table 12.3b

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Company believes the following movements are 'reasonably possible' over the next 12 months.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****12 FINANCIAL INSTRUMENTS (continued)****Table 12.3b Interest rate risk exposure for the Company**

		Interest rate risk	
		-0.5%	+0.5%
2016	Carrying amount	Net Result	Net Result
Financial assets			
Cash and cash equivalents	359,676	(1,799)	1,799
Receivables	563	-	-
Financial liabilities			
Payables	46,400	-	-
Total increase/(decrease)		(1,799)	1,799
2015		-0.5%	+0.5%
Financial assets			
Cash and cash equivalents	388,450	(1,943)	1,943
Receivables	163	-	-
Financial liabilities			
Payables	13,774	-	-
Total increase/(decrease)		(1,943)	1,943

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

Table 12.3a and 12.3b discloses the impact on net operating result and equity for each category of financial instrument held by the Company at year-end as presented to key management personnel, if the above movements were to occur.

(d) Net Fair Values

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the Balance Sheet and in the Notes to the Financial Statements.

The carrying value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their net fair value. No financial assets and financial liabilities are readily traded on organised markets. There are no financial assets for which the carrying amount exceeds the net fair value.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****13. GLOSSARY****Comprehensive result**

The net result of all items of income and expense recognised for the period. It is the aggregate of operating result and other comprehensive income.

Commitments

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

Financial asset

A financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual or statutory 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

A 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 assets or liabilities that are not contractual (such as statutory receivables or payables that arise as a result of statutory requirements imposed by governments) are not financial instruments.

Financial liability

A financial liability is any liability that is:

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

Financial statements

A complete set of financial statements in the Model Report comprises:

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

Interest income

Interest income includes received on bank term deposits and other investments.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of income, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other economic flows – other comprehensive income'.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR YEAR ENDED 30 JUNE 2016****13. GLOSSARY (continued)****Net result from transactions/net operating balance**

Net result from transactions or net operating balance is a key fiscal aggregate and is income from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net worth

Assets less liabilities, which is an economic measure of wealth.

Non-financial assets

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

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. It includes:

- gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets;
- actuarial gains and losses arising from defined benefit superannuation plans;
- 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

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.

The components of other economic flows other comprehensive income include:

- (a) changes in physical asset revaluation surplus;
- (b) share of net movement in revaluation surplus of associates and joint ventures; and
- (c) gains and losses on remeasuring available for sale financial assets.

Payables

Includes short and long term trade debt and accounts payable and taxes.

Produced assets

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

Includes amounts owing through short and long term trade credit and accounts receivable, accrued 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.

Style conventions

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

The notation used in the tables is as follows:

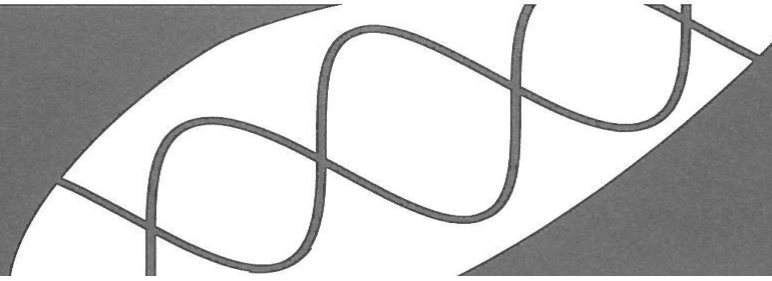
.. zero, or rounded to zero

(xxx.x) negative numbers

200x year period

200x 0x year period

The financial statements and notes are presented based on the illustration for a government department in the 2015-16 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Company's annual reports.

**DIRECTORS' DECLARATION**

The Directors of the Company declare that:

- (1) The financial statements and notes, have been prepared in accordance with the *Corporations Act 2001* and:
 - a) Comply with Australian Accounting Standards including Interpretations and other mandatory professional reporting requirements; and
 - b) Give a true and fair view of the financial position and performance of the Company for the year ended 30 June 2016, as set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.
- (2) In the Directors' opinion 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 circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.

This declaration is made in accordance with a resolution of the Board of Directors.

Dr Clive Noble
Director
24 August 2016

Prof. German Spangenberg
Director
24 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Directors, Phytogene Pty Ltd

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of Phytogene Pty Ltd which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

The Directors' Responsibility for the Financial Report

The Directors of Phytogene Pty Ltd are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Corporations Act 2001*, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Corporations Act 2001* and *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the company's preparation of the financial report that gives a true and fair view 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's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with the applicable independence requirements of the Australian accounting profession and the *Corporations Act 2001*, Australian Auditing Standards and relevant ethical pronouncements.

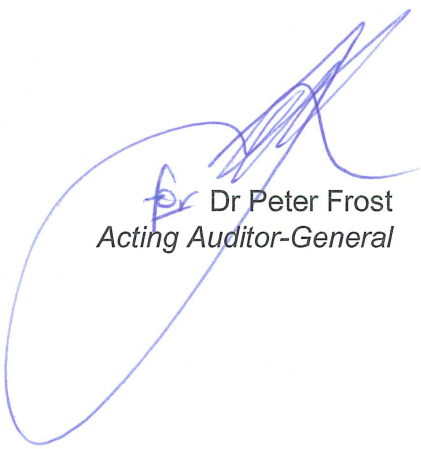
I confirm that I have given to the Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

Opinion

In my opinion, the financial report of Phytogene Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance for the year ended on that date
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

MELBOURNE
29 August 2016



Dr Peter Frost
Acting Auditor-General



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