Agriculture Victoria Services Pty Ltd
Annual Report 2018

AGRICULTURE VICTORIA SERVICES

VICTORIA State Government | Economic Development, Jobs, Transport and Resources

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Dairy cows, courtesy of Agriculture Victoria's image bank.
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Safflower, courtesy of Agriculture Victoria Research.
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Canola field trials, Mt Arapiles, courtesy of Agriculture Victoria Research.

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Contents

Company profile

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

The Government of Victoria 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 division (AVR) of the Department of Economic Development, Jobs, Transport and Resources (DEDJTR, also referred to as 'the Department').

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

Background

AVS has delivered more than 30 years of service excellence.

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

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

Purpose

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

AVS helps the Department's AVR to determine the most appropriate route-to-impact for its research discoveries.

Where the economic and local industry productivity outcomes will be greater and more rapid, a commercial route-to-impact pathway is pursued.

The Victorian Government invests in R&D to achieve better productivity and biosecurity outcomes for Victorian agriculture. In this context, the Department is seeking step-change improvements in agriculture through innovation for the enduring profitability and productivity of Victorian farmers.

The government looks to AVS to work with AVR to ensure the benefits of AVR's research are optimised, where appropriate, by commercialisation of its IP assets and scientific capabilities.

The expert IP management and commercialisation services of AVS, as well as its commercial research collaboration and technology investment services, combine to maximise the adoption and impact of AVR innovations and capability, thus helping the government to meet its objectives.

Company value

AVS is valued by its stakeholders as the corporate entity that streamlines the interface between AVR and the private sector. To this end, AVS was established by the Victorian Government to:

- protect and manage IP assets arising from AVR R&D activities, including commercialisation of technologies for delivering local industry and economic benefits to Victoria
- provide a legal entity through which commercial R&D collaborations are expertly negotiated and supported
- invest company funds to maximise value capture and accelerate market delivery of AVR R&D technologies.

AVS aims to strengthen its role in providing a professional, expert and objective commercial interface to enhance, support and expedite the effective transfer of the research and IP assets of AVR to industry.

Operating principles

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

- AVS helps determine the most appropriate route-to-impact for the R&D discoveries 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 technology adoption by local industry for the state's economic benefit. Financial returns are a secondary objective and sought commensurate with fair and reasonable value attribution.
- AVS aims to ensure the registration, prosecution, defence and management of its IP assets is always in the state's best economic and social interests.

- AVS manages all commercialisation, research and innovation collaborations consistent with the AVR's objectives, the Department's IP management principles and Victorian public sector values.
- AVS invests Company funds to accelerate the translation of AVR inventions into innovative products and services. Funds are invested in high-potential innovations that are technically feasible and commercially attractive, and align with the Department's IP management principles, AVS strategic objectives and the above operating principles.

Objectives

AVS aims to meet its objectives and fulfil its purpose by providing a professional and objective commercial interface to support the transfer of the Department's IP and scientific capabilities to the marketplace.

The following strategic objectives reflect those stated in the *AVS corporate plan (2016–18)*:

1. Provide IP and commercial services to maximise the impact of AVR innovations and capability
2. Ensure AVR IP and commercial risks are well-managed and the state's interests are protected
3. Enhance and accelerate industry adoption of AVR technologies with support from AVS investment

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 the Company's ongoing viability. Strong relationships with stakeholders and collaborators are critical to the success of AVS. Its key stakeholders include:

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

Chairman's report

Agriculture Victoria Services Pty Ltd, its board, management and employees are pleased to present the Company's annual report for the period ended 30 June 2018.

In 2017–18, AVS met its corporate objectives and delivered a record net result of $7 million, while demonstrating the Company's contribution to improving the economic development and prosperity of Victoria's agriculture industries.

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

This year AVS continued to engage with the Department's Agriculture Victoria Research division (AVR) to help the Victorian Government meet its objectives, by providing: expert IP management and commercialisation services; commercial research collaboration support; and technology investment to maximise the commercial adoption and industry impact of AVR research and innovations.

Innovation is a central driver of the economic growth, productivity and international competitiveness of Victorian agriculture, as well as social prosperity of the state's rural and regional communities.

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

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

A critical principle underpinning AVS' overall IP strategy is to always protect AVR-created IP assets in the best interests of our local agricultural sector, in particular ensuring current and future access to technologies and freedom-to-operate. The AVS board, management and staff have this year continued to rigorously apply this principle, both in decisions to protect IP and to defend it.

A key activity of AVS for achieving its purpose and objectives is investing AVS funds in high-potential technology inventions of AVR that are technically feasible, commercially attractive and can lead to high levels of industry uptake and positive impacts for Australian farmers. The success of the AVS investment portfolio has led to higher revenue flows during the past three years. Higher company cash reserves have enabled AVS to expand its investment portfolio in 2017–18, with 10 active investment projects as at 30 June 2018.

Strong relationships with stakeholders and collaborators are highly valued by AVS and critical to its success. In 2017–18 AVS formally sought and received feedback from key stakeholders and collaborators who identified AVS as a specialist, professional and objective corporate entity, characterised by high levels of trust and constructive engagement.

The 2017–18 year was the final year of the Company's current three-year corporate plan. AVS has achieved its three core objectives and delivered against the Company's eight success measures, while strengthening the Company's value proposition for its key stakeholders. To continue to achieve its purpose, AVS' 2019–2021 corporate plan will build on past achievements and recognise the growing depth, breadth and complexity of the Company's business, technologies and collaborations.

The delivery against our AVS corporate plan, the strong performance of the Company in 2017–18 and feedback from stakeholders illustrates AVS' continued and recognised value in guiding, supporting and investing in the delivery of AVR's leading-edge science through commercial collaborations.

June 2018 marked the conclusion of Kathryn Adams' term as a director on the AVS board. I would like to sincerely thank Kathryn for her commitment and excellent contributions to the board during her term. I would also like to express my sincere appreciation to my fellow directors and the management and staff of AVS for the strong performance of the Company during 2017–18. Their dedication has been pivotal to further enhancing the role, performance and reputation of AVS.

Dr Clive Noble
Chairman
Agriculture Victoria Services Pty Ltd

Chief executive officer's report

In 2017–18 AVS delivered against the objectives and performance measures of its three-year *Corporate plan (2016–18)*. This was achieved by meeting the commercialisation and collaboration support needs of the Department's Agriculture Victoria Research division (AVR), while generating our strongest annual financial result.

"AVS is recognised by the Department, its IP partners, its R&D collaborators and its IP licensees for providing a professional and effective commercial interface between the Department and the private sector, where the Department's research needs a commercial route to market."

The delivery of the Company's corporate plan during the past three years has led to a strengthening of the unique role of AVS. In 2017–18, AVS formally determined that its key stakeholders highly value AVS as a specialist and objective corporate entity that streamlines the interface between AVR and the private sector.

In particular, our stakeholders highly value the role AVS plays as a legal entity through which the transformational innovations of AVR are effectively protected and commercialised; the commercial R&D collaborations of AVR are supported in the state's interests; and the investment of AVS funds enhances and accelerates commercial licensing and industry adoption of AVR technologies.

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

Global R&D collaboration is now more vital than ever, particularly as the agricultural platform technology landscape continues to grow. AVS is aware of these changing dynamics and plans its IP commercialisation arrangements, international collaborations and technology investments to accelerate the translation of AVR inventions into products and services for the benefit of local industry.

In 2017–18, AVS lodged 41 new patent filings. These included patent filings associated with research inventions by AVR, as well as extensions and variations to existing AVS patents to enhance their technical and geographic coverage. IP assets held by the Company are now represented by over 547 patent filings in more than 30 countries. These IP filings comprise a range of transformational genetic and biosecurity innovations for local animal and plant industries.

In 2017–18 several technology licence agreements were signed by AVS that granted IP rights associated with AVR research outputs to maximise technology adoption by industry and to deliver economic benefits to Victoria.

A technology licence agreement was signed by AVS with Corteva Agriscience™ (Agriculture Division of DowDuPont) for novel sources of blackleg resistance in canola (*Brassica napus*), developed by AVR with Optimum Haploid Value (OHV) technology. The OHV technology was originally developed and cross-licensed under a long-standing strategic collaboration between AVS and Corteva Agriscience™. Through the application of the novel OHV selection technology by AVR, new sources of blackleg resistance for canola have been identified to help reduce significant annual losses to Australian canola growers due to this major fungal disease.

A DairyBio forage project agreement was signed by AVS with Heritage Seeds Pty Ltd, Dairy Australia and the Department that licenses AVR-created technologies to develop and commercialise novel double haploid breeding methods. These new breeding tools will be applied in perennial ryegrass and tall fescue forage grass varieties with enhanced herbage digestibility and increased metabolisable energy for dairy herds.

AVS has this year contractually engaged with several companies to help establish domestic and global routes-to-impact for Victorian-produced medicinal cannabis products. These arrangements are supporting the priority actions in the Victorian Government's plan to develop the state's medicinal cannabis sector.

A sponsored R&D agreement was signed by AVS with InterGrain Pty Ltd for deploying genomic selection breeding technologies and approaches in the company's wheat and barley breeding programs. The agreement will allow InterGrain to maximise the genetic gain in the company's varietal development pipelines in wheat and barley and expedite its delivery of elite new commercial wheat and barley varieties for Australian grain growers.

The AVS corporate plan has also served to enhance and expand the Company's investment function during the past three years. At 30 June 2018, AVS has 10 active investment projects under management.

In the past 15 years, the Company has invested in 18 technology enhancement projects.

Of the 10 active investments, five are in the early stages of technology concept development with AVS having committed to their funding during the past four years. The five projects reflect a strategic change in AVS' investment focus, characterised by a gradual shift toward the development of patented, platform technologies that are enabling increased and accelerated rates of genetic gain in crops of local and global economic importance.

Four of AVS' current investments (HT Barley, HT Lentils, Primary Oilseeds, HOLL Canola) have already delivered significant benefits to the Australian agriculture sector and generated positive financial returns to AVS, as shown by the record royalty revenue returns to the Company in 2017–18.

A new AVS investment project funded this year aims to develop and commercialise AVR-developed medicinal cannabis strains that provide novel chemical profiles and enable accelerated precision breeding of new medicinal cannabis strains for a range of medicinal products and therapeutic applications, in alignment with the Victorian Government's industry development plan.

As a self-funded entity relying on service fees and investment income to fund its operations and to ensure its ongoing viability, AVS remains strategically well-positioned to continue to help protect and develop Victoria's innovation economy and its strong agriculture sector. The Company's human resource and financial capital base will remain deployed to meet the objectives of AVS' new *Corporate plan (2019–2021)* for the next three years.

But it is the maintenance of strong and constructive relationships with our key stakeholders and collaborators that will be most critical for AVS to meet its new strategic objectives, and to continue to ensure the novel research outcomes of AVR are effectively delivered, for local industry benefit, via capable private sector entities.

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

And finally, I would like to express my gratitude and appreciation for the commitment and exceptional work of the entire AVS team this year, and for the support and guidance of the AVS board of directors.

David Liesegang
Chief Executive Officer
Agriculture Victoria Services Pty Ltd

Board of directors

For the year ended 30 June 2018

Back row (standing left to right): *Kathryn Adams (Director), Dr Amanda Caples (Director), Peter Turvey (Director), Sandra (Sam) Andersen (Director)*
Front row (sitting left to right): *Dr Richard Aldous (Director), Dr Clive Noble (Chairman)*

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

Clive is managing 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.

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

Ms Kathryn Adams (Director)
BSc.Agr (Hons), LLM, M.Bus, M.Env.Stud, Prof Cert Arbitration, FAICD

Kathryn is an agricultural scientist and a lawyer. Kathryn has extensive experience in industry-focused R&D investment for agribusiness, having held senior executive and board positions in the public and private sectors, including chief executive officer of two R&D corporations and director of the Queensland Horticulture Institute.

Kathryn was the first registrar of Plant Breeder's Rights in Australia and an executive director with the Queensland Environment Protection Authority. After retiring she became a part-time senior research fellow with the Australian Centre for Intellectual Property in Agriculture (ACIPA) at Griffith University and is on a number of agribusiness boards. Kathryn is also a fellow of the Australian Institute of Company Directors.

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

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

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

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

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

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

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

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 DEDJTR, 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 established international collaborative technology alliances.

Mr Peter Turvey (Director)
BA/LLB, MAICD

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

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

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

Review of financial performance

This section provides a five-year financial summary and reviews the 2017–18 year for AVS and its subsidiary. Full financial performance details for the 2017–18 year are shown in the accompanying financial statements. A consolidated five-year financial summary for AVS and its subsidiary is provided in the following table.

Table 1: Five-year financial summary

($ thousands)

Five-year financial summary	2017–18	2016–17	2015–16	2014–15	2013–14
Total income from transactions	28,100	17,250	19,666	20,488	17,032
Total expenses from transactions	(21,045)	(14,405)	(16,170)	(18,434)	(16,100)
Net result from transactions	7,055	2,845	3,496	2,054	932
Net result for the period	7,052	2,978	3,512	1,812	772
Net cash flows from operating activities	9,988	4,771	1,896	(2,705)	5,548
Total assets	40,906	28,912	23,926	21,707	24,462
Total liabilities	13,902	8,961	6,952	8,245	12,812
Net assets	27,003	19,951	16,974	13,462	11,650

Overview

Net result for the period
In 2017–18, AVS achieved a net result of $7.1 million. This reflects the strong performance of the AVS investment portfolio during the past three years. The net result in 2016–17 was $3.0 million and in 2015–16 was $3.5 million.

Net assets
The investment portfolio performance has contributed to total net assets in 2017–18 being at the highest level in the Company's history at $27.0 million. Net assets in 2016–17 were $20.0 million and in 2015–16 were $17.0 million.

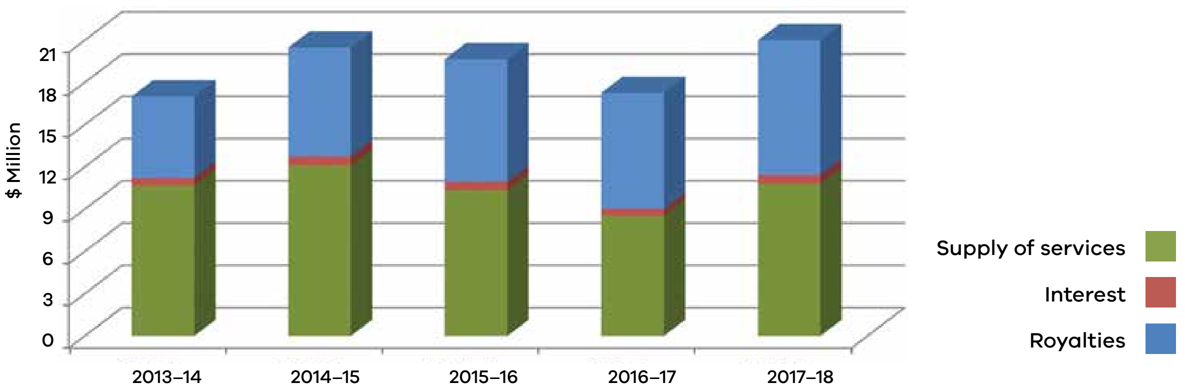
Royalty income
Royalty income was $16.7 million for 2017–18, which is the highest recorded in AVS history. Royalty income in 2016–17 was $8.2 million and in 2015–16 was $8.7 million.

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

Net result from transactions
The net result from transactions is an appropriate measure of financial management and performance. The net result from transactions excludes other economic flows, which include asset impairments and revaluations. In 2017–18, AVS achieved a net result from transactions of $7.1 million (2016–17: $2.8 million).

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

Figure 1: Five-year total income from transactions



Review of financial performance continued

Interest income is interest earned on financial assets.

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

The supply of services income in 2017–18 was $10.8 million. In 2016–17 this income amount was $8.5 million. In 2015–16 this income amount was $10.4 million. Variances during the past three years relate to the timing of several large contracts.

Royalty income at $16.7 million for 2017–18 represents the highest in AVS' history and includes AVS royalty revenue and royalty revenue collected on behalf of (and distributed to) IP equity holders, including the Department.

Royalty income during each of the past four years has been at record levels. Royalty income in 2016–17 was $8.2 million. Royalty income in 2015–16 was $8.7 million. Royalty income in 2014–15 was $7.7 million.

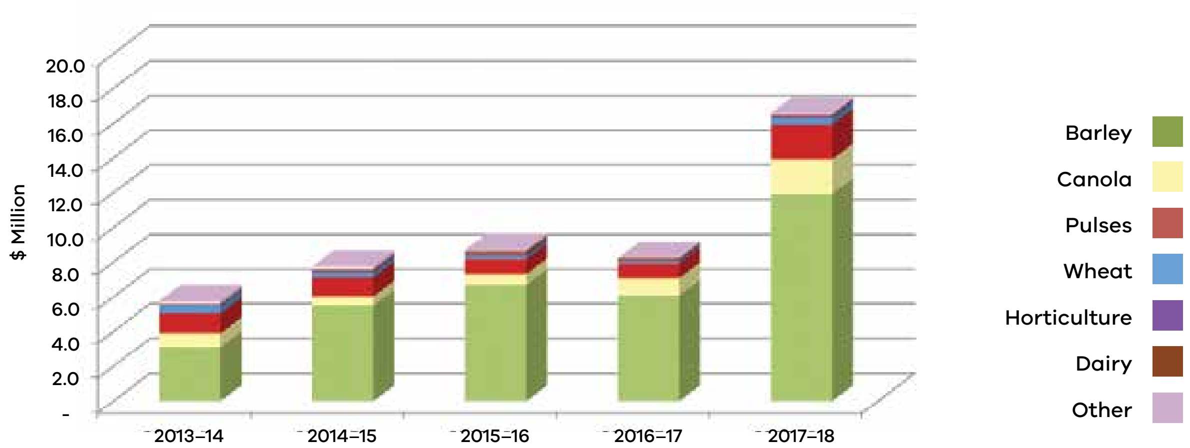
The strong royalty performance relates to the significant returns from the AVS investment fund. These returns are expected to decline during the next three to five financial years as several investments reach the end of their commercial lives.

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

Revenues from the commercialisation of AVS' patented herbicide-tolerant barley varieties continue to deliver most of the Company's royalty income, accounting for $11.9 million of the $16.7 million total royalty income in 2017–18.

In 2016–17, AVS HT barley varieties contributed $6.1 million of the $8.2 million total royalty income. In 2015–16, AVS HT barley varieties contributed $6.7 million of the $8.7 million total royalty income.

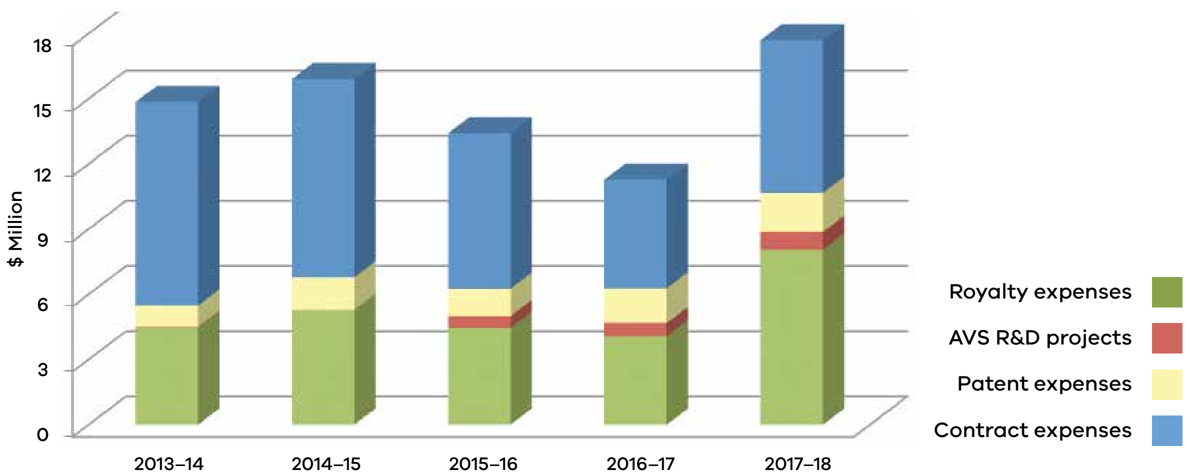
Figure 2: Five-year royalty income



Research and development, royalty, patent and contract expenses

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

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



Review of financial performance continued

R&D, royalty, patent and contract expenses make up the largest expenditure item.

Royalty expenses is the distribution of royalty revenue to IP equity holders including the Department. A total of $8.1 million was distributed in 2017–18 ($4.1 million in 2016–17 and $4.5 million in 2015–16).

AVS R&D (investment) projects' expenses represent project investments made through the AVS investment fund in research innovations of the Department. These research investment projects are expensed to the operating statement, as distinct from development projects that are capitalised in the balance sheet. In 2017–18 research project investments amounted to $827,000 and included OHV Canola, ExZact Wheat, OHV Wheat, SaffBio and CannBio ($606,000 in 2016–17 and $543,000 in 2015–16).

Patent expenses represent IP registration expenses for the protection of the IP assets of AVS, the Department and other IP equity holders. In 2017–18 patent expenses amounted to $1.8 million ($1.6 million in 2016–17 and $1.3 million in 2015–16).

Contract expenses represent funds collected by AVS (as agent for the Department) and paid to the Department for the provision of contracted research services by the Department to commercial third parties. Contract research and development expenses in 2017–18 total $7.0 million. This is $2.0 million more than the $5.0 million in 2016–17. In 2015–16 this amounted to $7.2 million. Variances during the past three years relate to the timing of several large contracts.

Employee expenses were $1.7 million in 2017–18 ($1.7 million in 2016–17).

Operating expenses for 2017–18 amounted to $1.5 million compared with $1.3 million in 2016–17. The increase of $0.2 million is primarily attributable to the AVS strategic initiative projects undertaken during 2017–18. These projects included core IP defence and exploitation strategy development; investment case development; AVS office relocation design; and investment modelling upskilling.

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

Table 2: 2017–18 year in review

($ thousands)

	2017–18 Total	2017–18 Agency	2017–18 Group	2016–17 Total	2016–17 Agency	2016–17 Group
Income from supply of services	10,801	8,794	2,007	8,534	6,527	2,007
Royalty income	16,662	8,050	8,612	8,245	4,073	4,172
Interest income	636	636	471	471		
Total income from transactions	**28,100**		**11,255**	**17,250**		**6,650**
Expenses from transactions						
Contract R&D project expenses	7,853	7,026	827	5,607	5,001	606
Royalty expenses	8,050	8,050	–	4,073	4,073	–
Patent expenses	1,797	1,701	96	1,598	1,533	72
Employee expenses	1,729	1,729	1,735	1,735		
Depreciation and amortisation	93		93	66		66
Interest expense	1		1	1		1
Operating expenses	1,522	68	1,454	1,325		1,325
Total expenses from transactions	**21,045**		**4,200**	**14,405**		**3,805**
Net result from transactions	**7,055**		**7,055**	**2,845**		**2,845**
Other economic flows	(3)		(3)	132		132
Comprehensive result	**7,052**		**7,052**	**2,977**		**2,977**

Review of financial performance continued

Group royalty income (after distributions to IP equity holders, including the Department) in 2017–18 was $8.6 million, compared with $4.2 million in 2016–17 and $4.3 million in 2015–16.

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

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

Group income from AVS services amounted to $2.0 million in 2017–18 and $2.0 million in 2016–17.

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

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

Financial position – balance sheet

Net assets increased by $7.0 million in 2017–18 to $27.0 million (cf. $20.0 million in 2016–17). This is primarily due to increases in total assets of $12.0 million and an increase in total liabilities of $5.0 million.

The increase in total assets comprises an increase of $12.0 million in financial assets, while non-financial assets have remained consistent with the 2016–17 non-financial asset result ($0.4 million).

The increase in financial assets reflects the increase in cash and deposits to $36.7 million in 2017–18, from $26.9 million in 2016–17. The increase in financial assets has been enabled by the strong performance of the net results from transactions.

The increase of $5.0 million in total liabilities reflects an increase of the amount payable to the Department and primarily relates to the timing of royalty distributions in 2017–18.

Cash flows

The increase in cash in 2017–18 is $9.9 million (cf. $4.8 million in 2016–17) and comprises the net result of $7.0 million and other cash movements of $2.9 million.

Other cash movements include an increase in payables and receivables that relate to the timing of royalty distributions in 2017–18.

Review of operational performance

This section summarises key achievements for the 2017–18 financial year in alignment with the Company's three strategic objectives, as set out in the *AVS corporate plan (2016–18)*:

1. Provide IP and commercial services to maximise the impact of AVR innovations and capability
2. Ensure AVR IP and commercial risks are well-managed and the state's interests are protected
3. Enhance and accelerate industry adoption of AVR technologies with support from AVS investment

Intellectual property and commercial services

In 2017–18, AVS contributed to maximising the impact of the Department's agricultural technologies and research capabilities by undertaking the following core IP and commercial management services:

- IP protection and portfolio management for maximising industry benefits from agricultural inventions
- technology assessment and valuation in guiding IP strategy and commercialisation decision-making
- technology commercialisation for maximising industry adoption through private route-to-impact partners
- legal review, negotiation and establishment of commercial agreements that have effectively balanced agricultural research aims with the prospect for financial returns and contractual risks
- prospective collaborative research and licence partner assessment and due diligence analysis
- local and global private sector partner interfacing to manage major research collaborations
- governance of several commercial IP joint ventures and new collaborative research entities.

AVS IP portfolio

AVR's scientific research is aimed at developing and disseminating transformational tools and technologies for the economic benefit of the Australian dairy, grains, red meat and horticulture industries.

Inventions held by the Company are represented by more than 547 patent filings in over 30 countries and comprise a broad range of AVR-created technologies and innovations.

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

Patented inventions related to these research activities include bioactive compounds, fungal and bacterial endophytes, and genomic technologies. Added to these are tools for accelerated precision breeding of crops and livestock, plant and animal breeding for the development of desirable traits.

AVS has also filed and obtained Plant Breeder's Rights (PBR) registrations in Australia for several plant varieties bred by AVR. These PBR registrations relate to new varieties of cereals (e.g. wheat and barley), canola and forage grasses (e.g. perennial ryegrass), along with new varieties of pears, strawberries, peaches and potatoes.

AVS has also obtained IP registrations for novel strains of medicinal cannabis (and related breeding methods), in alignment with the Victorian Government's industry development plan, *Developing a medicinal cannabis industry in Victoria 2018–2021.*

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

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

Table 5: AVS IP portfolio from 2014 until 30 June 2018

AVS IP portfolio	2018	2017	2016	2015	2014
Patented inventions (patent families)	**69**	65	63	61	60
Plant Breeder's Rights	**58**	57	53	54	58
Trademarks	**13**	14	14	15	12

Review of operational performance continued

Figure 4: Geographic representation of AVS IP portfolio

IP registration achievements

During 2017–18 AVS lodged several new patent filings comprising novel research inventions by AVR, as well as extensions and variations to existing AVS patents to enhance their technical and geographic coverage. AVS patent filings in 2017–18 included the following:

- Provisional patent filed on milk bioactive phospholipids (2018901032 – *Milk phospholipids*).
- Provisional patent filed for a method of identifying a cannabis plant having high THC (tetrahydrocannabinol) content and/or high CBD (cannabidiol) content, and for preparing an extract from the cannabis plant (2017903047 – *Medicinal cannabis methodology*).
- Provisional patent filed for methods of creating or enhancing symbiotic relationships between plants and symbionts (2017902978 – *Gene transfer*).
- Provisional patent filed for methods of selecting, identifying or breeding mammals, particularly bovines, to improve milk composition or milk production traits (2017904247 – *Milk bioactive*).
- Divisional patent granted in Australia for the necessary sequences, vectors and techniques to enhance the resistance to pests, diseases and increase the storage of proteins in plants (2015202485 – *Modification of plant defense, disease/pest resistance and protein storage (4)*).
- Standard patent granted in Australia for methods to prepare DNA for sequencing in next generation sequencing platforms (2013325107 – *Method of producing a normalised nucleic acid library using solid state capture material*).
- Divisional patent granted in Australia for methods to increase the production of condensed tannins in plants, particularly clover and medic (2015201995 – *Modification of plant flavonoid metabolism (2)*).
- Divisional patent granted in Australia for modifying plants to produce the milk-protein RNase 5 for use in animal production and human medical applications (2015202777 – *Angiogenin expression in plants (2)*).
- Divisional patent granted in Australia for methods to allow identification selection of improved endophytes (2015261618 – *Endophytes and related methods (2)*).
- International (PCT) Patent Application filed on uses and methods related to biofumigants and biocides for pest control in stored grain (PCT/AU2018/050069 – *Isoprene fumigants*).

Of the remaining new patent filings, 25 were representative of AVS pursuing IP protection in specific European countries following the grant of the parent application by the European Patent Office.

Review of operational performance continued

The novel milk bioactive technology patent relates to novel AVR-developed methods for genetic control and selection for enhancing specific types of phospholipids in milk so that predetermined nutrient profiles and human uses can be tailored to market needs.

The novel biofumigants technology patent relates to novel, naturally-occurring, endophyte-derived insecticide compounds discovered by AVR for controlling grain insect pests and potential use in commercial grain silos.

The medicinal cannabis technology patent relates to novel AVR-developed methods of breeding and identifying plants which have a specific content of cannabinoids and other therapeutic compounds for medicinal applications, in alignment with the Victorian Government's industry development plan (*Developing a medicinal cannabis industry in Victoria 2018–2021*).

Two AVS patents relating to AVR-developed forage breeding technologies were granted in Australia following the withdrawal of opposition proceedings:

- Novel methods to establish novel endophyte associations with important pasture grasses for enhancing pasture performance (2012272544 – *Novel Brachiaria urochloa endophytes*).
- Novel methods to accelerate the generation and evaluation of new grass endophyte symbiota (2015268768 – *Method for large scale generation of symbiota*).

Four PBR applications were also filed in 2017–18 in relation to four novel medicinal cannabis strains developed by AVR with specific cannabinoid profiles targeting specific therapeutic uses.

One new trademark was registered by AVS in 2017–18 (*CannBio®*).

Technology commercialisation achievements

The following activities in 2017–18 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.

A technology licence agreement was signed by AVS with Corteva Agriscience™ (Agriculture Division of DowDuPont) for novel sources of blackleg resistance in canola (*Brassica napus*), developed by AVR with Optimum Haploid Value (OHV) technology. The OHV technology was originally developed and cross-licensed under the current strategic collaboration between AVS and Corteva Agriscience™.

"Through the licensed application of the novel OHV technology, new sources of blackleg resistance for canola have been identified that will help combat a fungal pest that causes significant annual losses to Australian canola growers."

Through the licensed application of the novel OHV selection technology, new sources of blackleg resistance for canola have been identified by AVR that will help reduce significant annual losses to Australian canola growers due to this major fungal disease. The licence agreement grants Corteva non-exclusive rights to apply AVS' OHV blackleg resistance canola technology to incorporate stronger blackleg resistance into the company's new commercial canola varieties.

A DairyBio forage project agreement was signed by AVS with Heritage Seeds Pty Ltd, Dairy Australia and the Department, licensing AVR-created technologies to develop and commercialise novel double haploid breeding methods. These new breeding tools will be applied in perennial ryegrass and tall fescue varieties with enhanced herbage digestibility and increased metabolisable energy for the benefit of dairy farmers. DairyBio is a joint venture between the Victorian Government (through AVR) and Dairy Australia for delivering large-scale improvements in the performance of dairy forages and herds.

A Safflower Variety Research Project was signed by AVS with Go Resources Pty Ltd that licenses the use of the AVR genomic selection (imputation) invention as a tool to develop and commercialise novel safflower varieties for use by grain growers, to support the development of a new bioindustry in Victoria. This agreement will assist Go Resources to develop safflower varieties that will produce super high oleic oil as an alternative to petroleum-based sources in the manufacture of several industrial products such as lubricants and hydraulic fluids.

The Victorian Government is aiming to develop the state's medicinal cannabis sector and to position Victoria as a leader in the export of medicinal cannabis products, while creating jobs and providing life-changing treatment to patients, guided by Australia's first medical cannabis industry development plan (*Developing a medicinal cannabis industry in Victoria 2018–2021*). This industry development plan states the government's aim to supply half of Australia's medicinal cannabis by 2028 and to create 500 jobs in the state.

Review of operational performance continued

In support of the priority actions in the plan, AVS has this year contractually engaged with several companies to help establish domestic and global routes-to-impact for Victorian-produced medicinal cannabis products. For example:

- A material transfer agreement was signed by AVS with Cannoperations (Australia) Pty Ltd that licensed several medicinal cannabis strains developed by AVR to assess their suitability to support the domestic manufacture and supply of medicinal cannabis products for target patient groups. AVS also signed a licence agreement with Cannoperations Pty Ltd granting rights to one of the PBR-registered *CannBio®* medicinal cannabis strains for the commercial production of medicinal cannabis products in Australia.
- A technical services agreement was signed by AVS with Canopy Growth Corporation that licenses research-enabling breeding tools and AVS' *CannBio®* medicinal cannabis strains developed by AVR. The agreement enables the provision of research services by AVR for Canopy to begin development of a domestic supply of medicinal cannabis. A collaborative research and development agreement was also signed by AVS with Canopy Growth Corporation to develop novel, designer medicinal cannabis strains with targeted therapeutic uses, through accelerated precision breeding technologies developed by AVR and licensed by AVS.
- A technical services agreement was signed by AVS with Cann Pharmaceutical Australia Pty Ltd that licenses enabling technologies and tools as well as AVS' *CannBio®* medicinal cannabis strains developed by AVR. The agreement enables the provision of research services by AVR for Cann Pharmaceutical Australia Pty Ltd to support development of a domestic supply of medicinal cannabis.

A sponsored research and development agreement was signed by AVS with InterGrain Pty Ltd for deploying genomic selection breeding technologies and approaches in the company's wheat and barley breeding programs. The agreement will allow InterGrain to maximise the genetic gain in the company's varietal development pipelines in wheat and barley. Genomic selection has been one of the most significant innovations of AVR scientists during the past decade and is continuing to revolutionise livestock and crop genetic improvement worldwide.

Through this technology, the agreement will enable InterGrain to optimise and expedite its delivery of elite new commercial wheat and barley varieties for Australian grain growers.

AVS entered into the following technology licence agreements in relation to several elite new lentil, field pea and chickpea varieties developed through Pulse Breeding Australia (PBA). PBA is an unincorporated joint venture comprising the Grains Research Development Corporation (GRDC), Pulse Australia and several state agencies (including the Department through AVR) in Australia. As a commercialisation arm of PBA, AVS has entered into the following licence agreements that aim to deliver elite new pulse varieties for Australian grain growers:

- An evaluation and licence option agreement for two new lentil varieties was signed by AVS with PB Seeds Pty Ltd. The new lentil varieties were bred by AVR in a PBA project with co-investment from the GRDC. One line is a herbicide-tolerant, medium-sized red lentil. The other line is an early-to-mid-maturing red lentil.
- A plant variety licence agreement was signed by AVS with Landmark Operations Limited (trading as Seednet) for a new 'Kaspa-type' field pea variety, *PBA Butler,* that was bred by AVR in a PBA project with co-investment from the GRDC.
- A plant variety evaluation and licence agreement was signed by AVS with PB Seeds Pty Ltd for the commercial evaluation and exploitation of a relatively large and high-yielding PBA kabuli chickpea variety, *CICA1352*, following a public expression of interest process.

Two plant variety licence agreements were signed by AVS with PB Seeds Pty Ltd for two commercial chickpea varieties, *Genesis® 090* and *Genesis® 115* (*Kalkee*), following a public expression of interest process. The two currently-released chickpea cultivars were previously licensed to Australian Agricultural Technologies Ltd trading as Australian Agricultural Crop Technologies.

IP and commercial risk management support

In 2017–18, AVS protected Victoria's interests by providing the following IP and commercial risk management services for the Department:

- identifying IP associated with AVR R&D and assisting with IP route-to-impact assessments
- supporting and guiding IP protection decision-making, registration, defence and route-to-market strategy

- developing, reviewing and helping to negotiate important strategic partnership agreements for innovation.

"AVS regularly engaged with the Department and provided specialist advice on IP protection considerations and route-to-impact strategy options for several of the Department's novel research outcomes…"

IP evaluation and identification

In 2017–18, AVS provided specialist IP identification and evaluation support services to the Department by guiding IP protection decision-making and portfolio management of Victoria's important IP assets.

AVS regularly engaged with the Department and provided specialist advice on IP protection considerations and route-to-impact strategy options for several of AVR's novel research outcomes, including the protection and commercialisation of:

- breathable waterproof tarps for agricultural applications
- novel endophytes and related bioactives
- biological control agents to control weeds.

AVS provided its IP knowledge and capabilities to support AVR on various IP matters, including approaches for effective identification and registration of background IP contributions to research projects, and project IP arising from those projects.

Commercial R&D contract management

In 2017–18, AVS entered into several contract research and technical services agreements with the private sector on behalf of the Department, including the following:

- barley and wheat disease screening services for cereal breeding companies
- Fertcare® program audits
- pulse disease management services
- cereal seed evaluation experiments
- forage grass endophyte diagnostics
- crop health surveys
- phylloxera surveillance services
- viricide screening trials for horticulture applications
- review of fruit quality standards
- evaluation of a hydroponic system for use in broad-scale applications
- soil, plant and bore water monitoring in the dairy industry
- beef genotyping services
- satellite-based estimation of crop water use and root zone drainage
- Murray-Darling Basin salinity management reviews of the Goulburn and Loddon river catchments.

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

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

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

Collaborative R&D guidance and support

In 2017–18, AVS' specialist expertise in legal, commercial and IP matters was deployed to review draft agreements for several R&D collaborations of AVR, in particular to help identify relevant contractual and IP risks and to advise on their management.

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

AVS also advised AVR and its key stakeholders on several industry research and development corporation and Commonwealth funding agency agreements, in particular regarding contractual provisions relating to IP ownership and liabilities.

AVS investment fund

Through the investment of Company funds, AVS enhances and accelerates the commercial appeal and adoption of AVR technologies and other innovations.

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.

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 technology inventions arising from the Department's agricultural research.

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

As at 30 June 2018, AVS had 10 active investment projects under management and had invested in 20 technology enhancement projects during the past 15 years. See Table 6 below for a review of each active project.

Table 6: 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 biotechnology start-up company wholly owned by AVS that was incorporated to commercialise a proprietary and patented delayed plant leaf senescence technology, with the trademark LXR®. The technology has potential application in a wide range of crops to increase their yield and enhance drought tolerance.	Development project: expenditure reported in the AVS balance sheet as an investment in wholly owned subsidiary
2. Primary Oilseeds	This project has delivered AVR-developed canola germplasm and elite new canola varieties in Australia through three genetic trait pipelines: conventional (non-herbicide-tolerant) canola varieties; triazine-tolerant canola varieties; and imidazolinone-tolerant canola varieties.	Development project: expenditure reported in the AVS balance sheet as an intangible asset
3. AVS High Oleic, Low Linolenic (HOLL) Canola	This project has delivered commercial HOLL canola hybrids with tolerance to key herbicides. Oil produced from HOLL canola offers improved shelf-life and stability at high temperatures due to its oxidative stability, as well as lower saturated 'trans' fats.	Development project: expenditure reported in the AVS balance sheet as an intangible asset
4. Herbicide-Tolerant (HT) Barley	This project has established and delivered the world's first HT barley varieties to enable Australian barley growers to better manage weeds and has provided the local grain industry with a new crop rotation option.	Research project: expenditure charged against the income statement in the year incurred

Review of operational performance continued

Investment fund projects	Key objective of investment project	Project expenditure treatment
5. Herbicide-Tolerant (HT) Lentils	This project has developed and commercially released elite new lentil varieties with tolerance to a class of important herbicides for Australian lentil growers.	Research project: expenditure charged against the income statement in the year incurred
6. Blackleg Tolerant Canola	This project aims to validate, de-risk and demonstrate the value of Blackleg Tolerant Canola Optimum Haploid Value (OHV) technology for use in canola pre-breeding applications by commercial breeding companies in Australia.	Research project: expenditure charged against the income statement in the year incurred
7. Genome Edited Wheat and Forages	This project aims to develop and validate platform technology in wheat to enable ExZact™ precision genome editing technology to be directly deployed in elite wheat germplasm, and to develop new forage product innovations for the Australian dairy industry.	Research project: expenditure charged against the income statement in the year incurred
8. Russian Wheat Aphid Tolerant Wheat	This project aims to develop, implement and demonstrate the efficacy of selection methods based on the OHV technology in wheat pre-breeding. This will help accelerate the development of new wheat varieties with resistance to Russian wheat aphid (while simultaneously increasing genetic gain for yield, rust disease resistance and other breeding traits).	Research project: expenditure charged against the income statement in the year incurred
9. Novel Safflower Platform (SaffBio™)	This project aims to establish a novel precision genome design system for safflower that will enable the generation of new safflower events producing biomolecules with industrial and agricultural applications. This investment also seeks to advance AVS' RNAse5 technology for animal health and animal feed applications.	Research project: expenditure charged against the income statement in the year incurred
10. Novel Medicinal Cannabis (CannBio®)	This project aims to develop and commercialise medicinal cannabis genetics that will provide novel chemical profiles of cannabinoids and aromatic terpenes, including designer medicinal cannabis strains developed through genome editing technologies. This project also enables targeted accelerated precision breeding to create novel, commercial medicinal cannabis products.	Research project: expenditure charged against the income statement in the year incurred

Review of operational performance continued

Of the 10 active investments, five are in their early stages of development – with AVS having committed to their funding during the past four years, namely:

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

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

These five new projects reflect a gradual change occurring in the nature of AVS investment projects, characterised by a shift away from AVR's development of elite new plant varieties under PBR.

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

Four of the 10 AVS investments represent mature projects of this nature (HT Barley, HT Lentils, Primary Oilseeds, HOLL Canola) and have resulted in several elite new varieties being released to the market. The cultivars derived from these projects continue to deliver significant benefits to the Australian agriculture sector and generate positive financial returns to AVS.

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

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

Review of operational performance continued

Investment fund performance

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

Table 7: Summary of AVS investment fund performance

Investment fund indicator	Performance (2017–18)	Performance (2016–17)
Value of the AVS investment portfolio (NPV)	In 2017–18, the investment fund NPV (excluding subsidiary entity Phytogene) amounted to $27 million, representing an increase of $3.1 million or 13 per cent on the prior year. The increase reflects improved net NPVs in four existing investments and the addition of a 2017–18 project (CannBio). In 2017–18, the investment fund NPV for the subsidiary (Phytogene) amounted to $11.8 million.	In 2016–17, the investment fund NPV (excluding subsidiary entity Phytogene) amounted to $23.9 million, representing an increase of $6.2 million or 35 per cent on the prior year. The increase in NPV is due to the inclusion of the NPV values of two new investment projects and the upward NPV revision of an existing investment project. In 2016–17, the investment fund NPV for the subsidiary (Phytogene) amounted to $18.1 million.
Projects that attract private sector investment	In 2017–18, nine out of the 10 active projects had attracted private sector investment, with the commercial co-investment plan for the SaffBio project having progressed and being on track.	In 2016–17, eight out of nine active projects had attracted private sector investment, with co-investment plans for the most recent project (SaffBio) in place.
Projects that generate new products	As anticipated, in 2017–18 no new commercial products were released to the market by project technology licensees. Four of the nine current investment projects have been successful in generating commercial products, while a fifth project has a product undergoing commercial field trials (with commercial release expected following regulatory approval). The remaining five projects remain in various phases of technology development and evaluation, with related product releases due in the next four to eight years.	As anticipated, in 2016–17 no new commercial products were released to the market by project technology licensees. Four of the nine current active investment projects have been successful in generating commercial products, while a fifth project has a product undergoing commercial field trials (with release subject to regulatory approval). As noted above, the remaining four projects are relatively new and product release by licensees is not expected for some time.
Financial return on AVS portfolio funds invested	In 2017–18, the annual financial return to AVS on all funds invested was 80 per cent.	In 2016–17, the annual financial return to AVS on all funds invested was 46 per cent.

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

Review of operational performance continued

Current investment project status

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

Phytogene Pty Ltd

Phytogene Pty Ltd is a wholly owned subsidiary company of Agriculture Victoria Services Pty Ltd (AVS). Phytogene's purpose is to commercialise a proprietary and patented delayed plant leaf senescence technology, with the 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 (BET) – which is complementary to the LXR® technology and was developed by Agriculture Victoria Research (AVR) and the former Molecular Plant Breeding Cooperative Research Centre (CRC).

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

The Instituto de Agrobiotechnologia de Rosario (INDEAR) completed regulatory trials in Argentina during 2017–18 to support an application for regulatory approval of commercial release of LXR® alfalfa in Argentina. An LXR® alfalfa event was crossed with its own locally-adapted commercial germplasm.

The results showed a positive trend in both biomass yield and quality. INDEAR is accelerating the development of two new, re-transformed LXR® alfalfa events, including a triple stacked multi-trait alfalfa product, incorporating LXR®, an alfalfa-mosaic-virus-resistance trait and an aluminium tolerance trait.

This work is being conducted pursuant to a licence agreement signed with Phytogene in 2017–18 that grants INDEAR rights to the new LXR® alfalfa event in Argentina, Uruguay and Brazil. The licence is expected to further support the value proposition of the LXR® technology in South America, particularly in Brazil, where the presence of acidic soils containing aluminium represent a barrier to cultivating alfalfa in broader regions.

In 2017–18, the University of Buenos Aires (FAUBA) in Argentina began seed multiplication and animal (sheep and cattle) grazing trials to assess the effect of the BET technology in perennial ryegrass.

In 2017–18, Phytogene continued to strengthen its IP portfolio with the granting of LXR® and BET patents in several countries. Phytogene now maintains a strong IP portfolio comprised of two trademarks and 81 patents (in 22 countries) of which 49 are granted.

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

Primary Oilseeds

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

Four years of AVS investment concluded in 2007 when, in alignment with departmental policy for investment in plant breeding, the Department divested from canola varietal development – shifting to germplasm enhancement primarily focused on the foundation trait for the industry (i.e. blackleg resistance). AVS then deployed a transition process which resulted in the successful transfer of canola cultivar development activities and IP rights from the state to the private sector. In exchange for the transfer of this germplasm, AVS and the Department have received royalties from the commercialisation of related canola cultivars by private sector partners.

This project has been highly successful through its facilitation of the growth of a viable commercial canola breeding capacity in the private sector and through its generation of significant financial returns to help sustain the AVS investment fund.

This project is drawing to a close with the final project canola varieties, ATR Bonito and ATR Wahoo, now well-established in the market.

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.

Review of operational performance continued

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

The collaboration has resulted in the release by Cargill of new commercial canola varieties in Australia with proprietary HOLL canola traits that offer value to the food and food processing sectors based on the product's health benefits to consumers. Current variety releases include the conventional hybrid HOLL variety, Victory V3002; the Round-Up Ready® herbicide-tolerant hybrid variety, Victory V5003RR; and the Clearfield hybrid, Victory V7001CL.

Other Victory HOLL canola hybrids are now being evaluated for potential release in the next three to five years, with the outlook for continued grower adoption of Victory HOLL canola technology remaining promising.

Herbicide-Tolerant (HT) Barley

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

In this project AVR screened genotypes from barley mutant populations showing improved tolerance to herbicides for broadleaf and grass weed control. Following technical proof of concept, AVS secured local and global patent protection for the HT barley trait. Local seed partner, Seednet, was selected and licensed to commercially release the world's first HT barley variety, Scope CL. Scope CL has been successfully commercialised in Australia, as shown by its rapid and early adoption by the Australian barley industry.

This success has been supported by a licence signed between AVS and BASF Plant Science Company GmbH, which has enabled the use of Intervix® herbicide on Clearfield® Scope barley pursuant to strict BASF stewardship and herbicide application protocols.

In 2015–16 a development and licence agreement was signed with InterGrain Pty Ltd. The agreement allows InterGrain to breed with and commercialise AVS' patented HT barley trait in Australia and to commercially release the next generation of HT barley varieties. *Spartacus CL* is the first HT barley variety released by InterGrain.

Herbicide-Tolerant (HT) Lentils

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

In this project AVR conducted a commercially focused, mutagenesis-based breeding program to produce a pipeline of non-transgenic HT lentil varieties. The project successfully demonstrated proof of concept in several lentil varieties with tolerance to the Group B herbicide, imidazolinone. HT lentil varieties were further developed and, through a commercial licensee (PB Seeds Pty Ltd), underwent wide-scale commercial grower evaluation before release. The first AVS HT lentil variety, PBA Herald XT, was launched by PB Seeds in 2011. The second AVS HT lentil variety, PBA Hurricane XT, was released in 2013 and continues to receive strong grower support.

PB Seeds has been evaluating a third HT lentil variety since 2015–16 and expects to release it in 2018–19.

OHV Blackleg-Tolerant Canola

Optimal Haploid Value (OHV) selection is a novel genomic selection technology developed by AVR in collaboration with Corteva Agriscience™ (Agriculture Division of DowDuPont).

The technology enables prediction of a plant's potential to produce an elite doubled haploid based on genome analysis. The OHV technology represents a significant improvement over genomic selection, with the potential to provide the future basis for accelerated breeding in crops.

The AVS investment project enables AVR to test the efficacy of OHV selection technology for pre-breeding applications in canola targeting resistance to blackleg disease. Blackleg disease is caused by a fungal pathogen that poses a significant threat to the Australian canola industry and is responsible for the greatest production losses for growers. Successful validation of this method by AVR through AVS investment will lead to enhanced prediction of blackleg disease resistance, shortening of the breeding process and accelerated delivery of elite new canola germplasm and varieties to grain growers.

Australian commercial canola breeding companies can now apply for licences to access AVS' OHV blackleg resistance canola technology.

Review of operational performance continued

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

The resulting tools will enable plant breeding companies to develop new wheat and pasture grass varieties with genome-edit-enabled traits into any genetic background, in a targeted and accelerated manner. In addition, when combined with other novel breeding methods, it provides the ability to generate fixed lines with the targeted trait in a single breeding cycle.

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

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

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

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

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

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

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

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

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

AVR has now established world-leading bioscience research capabilities and tools in this area, as well as Good Manufacturing Practice-accredited facilities for the cultivation and manufacture of medicinal cannabis.

AVR has also developed more than 200 proprietary medicinal cannabis strains; sequenced more than 300 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 minor cannabinoids analysis.

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

The project will also conduct 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. In addition, AVS investment is being used to develop novel, next-generation *CannBio®* medicinal cannabis strains proprietary to AVS that will be licensed to suitably-authorised companies to grow and extract medicinal cannabis products for both domestic and export markets.

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 DEDJTR, Richard Bolt. The shares are subject to a declaration of trust that requires the shareholder to exercise their rights in such manner as the Minister for Agriculture, the Honourable Jaala Pulford 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
Dr Clive Noble (Chairman)	1 August 2011 to 30 June 2018
Ms Kathryn Adams	1 August 2011 to 30 June 2018
Dr Richard Aldous	1 November 2016 to 31 October 2019
Ms Sam Andersen	1 November 2016 to 31 October 2019
Dr Amanda Caples	1 November 2016 to 31 October 2019
Mr Peter Turvey	13 July 2012 to 31 July 2018

Board committees

The Board has three sub-committees.

Audit and Risk Management Committee

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

Ms Sam Andersen	Chair of ARMC and AVS director
Mr Peter Turvey	AVS director
Mr Antony Christianen	Independent member until 31 January 2018
Mr Geoff Harry	Independent member from 1 February 2018

The committee met four times during 2017–18.

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 three-year period to June 2018.

The main responsibilities of the ARMC are to:

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

Corporate governance and organisation structure continued

Remuneration Committee

The Remuneration Committee meets on an as-needed basis to determine, approve and set remuneration terms and conditions for Company employees. All directors are members of the Remuneration Committee, which met twice during 2017–18.

Investment Committee

The Investment Committee is constituted under the AVS investment policy and procedure. It is responsible for assisting and advising the AVS board on matters relating to the investment of AVS funds and their periodic review and valuation. All directors are members of the Investment Committee, which met four times during 2017–18.

Policies and procedures

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

Risk management

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

The framework incorporates an attestation process to confirm that risk management processes and structures are embedded across the business.

Attestation of compliance with the Australian/New Zealand Risk Management Standard

I, Sam Andersen, certify that the Agriculture Victoria Services Pty Ltd has complied with the Ministerial Standing Direction 2016 3.7.1– Risk Management Framework and Processes. This has been verified by the Agriculture Victoria Services Pty Ltd Audit and Risk Management Committee.

Sam Andersen
AVS Director and Chair Audit and Risk Management Committee
Agriculture Victoria Services Pty Ltd
24 August 2018

Executive management

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

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

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

Chief Financial Officer and Company Secretary
Shane Cagney is the Chief Financial Officer and Company Secretary. Appointed in November 2016, Shane 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, Shane 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.

General Counsel
Raelene Harrison is General Counsel, appointed in January 2018. Raelene provides legal advice, contract development and negotiation services to support the Company's activities including IP management and commercialisation activities.

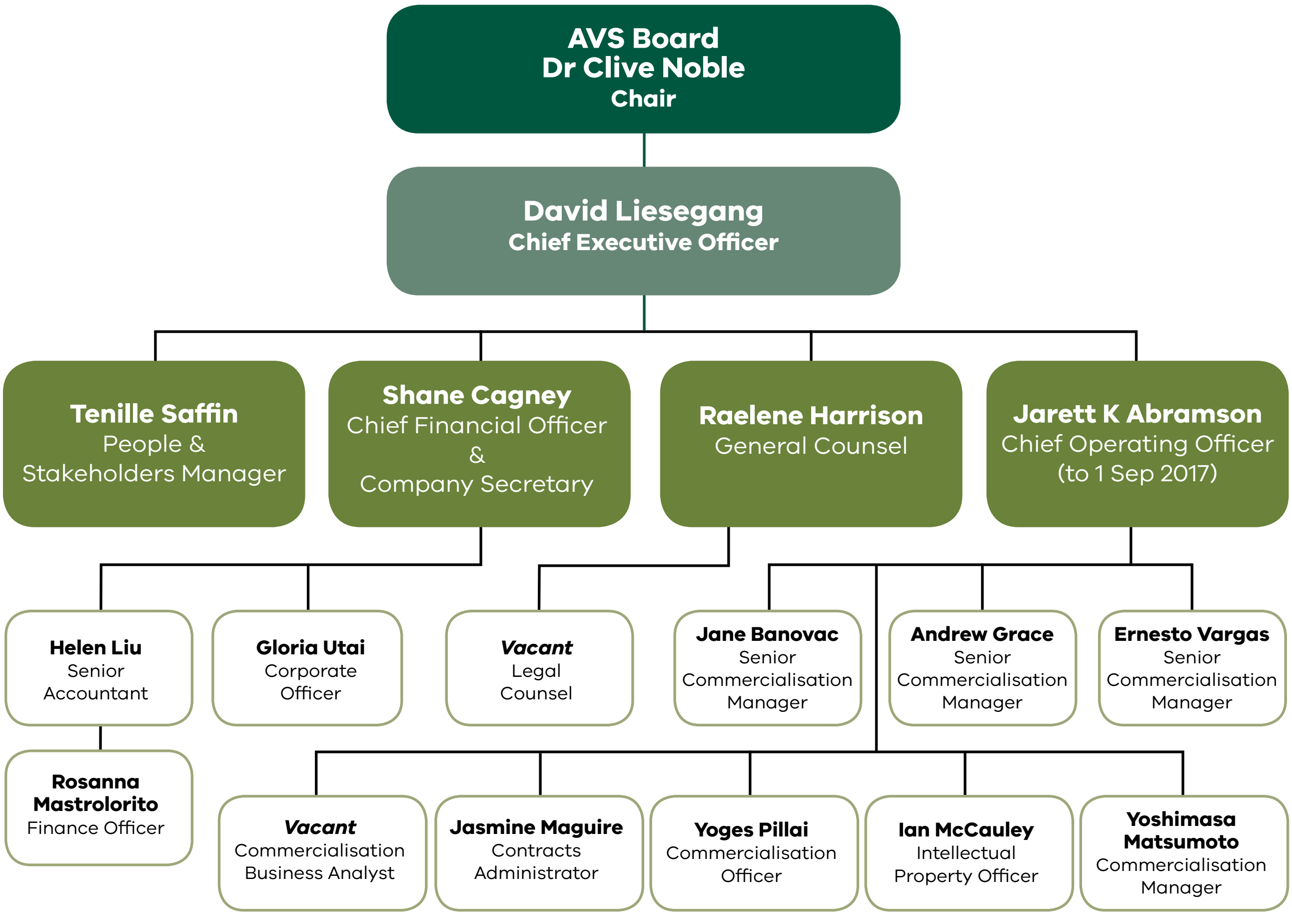
People and Stakeholders Manager
Tenille Saffin is the People and Stakeholders Manager. Appointed in May 2016, Tenille is responsible for providing specialist advice on a broad range of human resource compliance matters, policies and procedures, which include AVS employment agreements, recruitment, occupational health and safety, learning and development, workplace culture and performance, and key stakeholder engagement procedures.

Chief Operating Officer
Appointed in August 2016, Jarett K Abramson was responsible for leading the Company's operations team of specialist commercialisation and IP 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 (up until 1 September 2017).

The Chief Operating Officer role remained vacant for the remainder of the 2017–18 year. The two AVS Senior Commercialisation Managers, Andrew Grace and Ernesto Vargas, filled the vacancy as Acting Chief Operating Officer at different times during the remainder of the year.

Corporate governance and organisation structure continued

Figure 6: AVS Organisational Chart



Employment principles

Employee appointment principles

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

Public sector values and employment principles

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

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

Occupational health and safety

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

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

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

During the 2017–18 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.

An internal audit conducted by HLB Mann Judd in April 2017 confirmed that AVS complies with its OHS obligations.

AVS achieved its health, wellbeing and safety targets for 2017–18 as described in the table below:

2017–18 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 the past 24 months	100%	100%
Safety and wellbeing incidents – investigations began within two business days of reporting	100%	100%
Percentage of site safety meetings attended by an AVS representative	100%	100%

Legislative framework

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

Corporations Act 2001 (Cth)

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

Public Administration Act 2004 (Vic)

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

Financial Management Act 1994 (Vic)

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

Audit Act 1994 (Vic)

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

Privacy and Data Protection Act 2014 (Vic)

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

Protected Disclosure Act 2012 (Vic)

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

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

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

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

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

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

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

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

Disclosures under the *Protected Disclosure Act 2012*

Disclosures	2017–18 number	2016–17 number
The number of disclosures made by an individual to the Department and notified to IBAC		
Assessable disclosures	Nil	Nil

Directors' report

The directors of Agriculture Victoria Services Pty Ltd (AVS) present their report together with the consolidated financial statements of AVS and its subsidiary, Phytogene Pty Ltd, for the year ended 30 June 2018 and the independent auditor's report thereon.

Directors

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

- Ms Kathryn Adams
- Dr Amanda Caples
- Dr Richard Aldous
- Dr Clive Noble
- Ms Sam Andersen
- Mr Peter Turvey

The directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Ms Kathryn Adams three-year director term ended on 30 June 2018. A new director, Dr Lesley MacLeod, was appointed on 1 July 2018 for a three-year term ending 30 June 2021.

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

The Company Secretary at any time during or since the end of the financial year is Mr Shane Cagney.

Directors' meetings

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

	Board of directors		Committees of the board of directors					
	Full board		Audit & 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
KH Adams	6	6	–	–	5	5	2	2
RTH Aldous	6	6	–	–	5	5	2	2
SD Andersen	6	6	4	4	5	5	–	–
A Caples	6	6	–	–	5	5	–	–
CL Noble	6	6	–	–	5	5	2	2
PRE Turvey	6	6	4	4	5	5	2	2

Principal activities

During the year, the principal activities of AVS were:

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

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

Financial performance

A detailed review of financial results is provided in on pages 9–12. The net result for the consolidated entity for the year was $7.052 million (2017: $2.978 million).

Operational performance

A comprehensive review of operations is provided on pages 13–24.

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 2018. No dividend has been paid during the year ended 30 June 2018 (2017: 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 Agriculture Victoria Research technologies during the next financial year.

Impact of legislation and other external requirements

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

Environmental legislation

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

Directors' interests

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

Indemnification and insurance of officers and auditors

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

Non-audit services

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

Proceedings on behalf of the Company

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

Auditor's independence declaration

The auditor's independence declaration is set out on page 36 and forms part of the directors' report for the financial year ended 30 June 2018.

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

Dr Clive Noble
Director
24 August 2018

Ms Sam Andersen
Director
24 August 2018

Annual financial statements 2017–18

Agriculture Victoria Services Pty Ltd (AVS) has presented its audited general purpose financial statements for the financial year ended 30 June 2018 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 financial statements and notes are in accordance with the *Corporations Act 2001,* including:
    a. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
    b. complying with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 24 August 2018.

Dr Clive Noble
Director
24 August 2018

Ms Sam Andersen
Director
24 August 2018

Independent Auditor's Report

Victorian Auditor-General's Office

To the Directors of Agriculture Victoria Services Pty Ltd

Opinion	I have audited the consolidated financial report of Agriculture Victoria Services Pty Ltd (the company) and its controlled entities (together the consolidated entity), which comprises the: • consolidated balance sheet as at 30 June 2018 • consolidated comprehensive operating statement for the year then ended • consolidated statement of changes in equity for the year then ended • consolidated cash flow statement for the year then ended • notes to the financial statements, including significant accounting policies • director's declaration. In my opinion the financial report is in accordance with the *Corporations Act 2001* including: • giving a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2018 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the company, would be in the same terms if given to the Directors as at the time of this auditor's report. 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

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 • 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.

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

- 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
29 August 2018

Simone Bohan
as delegate for the Auditor-General of Victoria

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 2018, 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 2018

Simone Bohan
as delegate for the Auditor-General of Victoria

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

Consolidated comprehensive operating statement

For the financial year ended 30 June 2018

	Notes	Consolidated 2018 $	2017 $
Continuing operations			
Income from transactions			
Revenue from services and royalties	2	27,463,160	16,778,988
Interest revenue	2	636,349	471,372
Total income from transactions		**28,099,509**	**17,250,360**
Expenses from transactions			
Employee expenses	3.2	1,729,148	1,734,764
Depreciation and amortisation	4.1.1 & 4.2.1	92,714	66,184
Interest expense	6.2	724	1,283
Research and development, royalty and patent expenses	3.3	17,699,948	11,278,422
Operating expenses	3.4	1,522,073	1,324,271
Total expenses from transactions		**21,044,607**	**14,404,924**
Net result from transactions (net operating balance)		**7,054,902**	**2,845,436**
Other economic flows included in net result			
Net gain/(loss) on non-financial assets [(a)]	8.1	(3,124)	137,834
Net gain/(loss) on financial instruments [(b)]	8.1	-	152
Other losses from other economic flows	8.1	(72)	(5,624)
Total other economic flows included in net result		**(3,196)**	**132,362**
Net result		**7,051,706**	**2,977,798**
Comprehensive result		**7,051,706**	**2,977,798**

The accompanying notes form part of these financial statements.

Notes:

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

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

Consolidated balance sheet

As at 30 June 2018

	Notes	Consolidated 2018 $	2017 $
Assets			
Financial assets			
Cash and deposits	6.4	36,739,477	26,884,023
Receivables	5.1	3,711,452	1,587,986
Total financial assets		**40,450,929**	**28,472,009**
Non-financial assets			
Plant, equipment and motor vehicle	4.1	45,815	82,599
Intangible assets	4.2.2	286,510	357,839
Leasehold improvements in progress	4.4	122,286	-
Total non-financial assets		**454,611**	**440,438**
Total assets		**40,905,540**	**28,912,447**
Liabilities			
Payables	5.2	13,592,027	8,617,865
Borrowings	6.1	17,755	40,655
Employee related provisions	3.2.2	292,589	302,464
Total liabilities		**13,902,371**	**8,960,984**
Net assets		**27,003,169**	**19,951,463**
Equity			
Accumulated surplus		22,003,169	14,951,463
Contributed capital		5,000,000	5,000,000
Net worth		**27,003,169**	**19,951,463**

The accompanying notes form part of these financial statements.

Consolidated cash flow statement

For the financial year ended 30 June 2018

	Notes	Consolidated 2018 $	2017 $
Cash flows from operating activities			
Receipts			
Receipts from customers		27,435,921	17,366,616
Interest received		583,454	502,329
Goods and services tax received from the ATO [(a)]		-	194,921
Total receipts		**28,019,375**	**18,063,866**
Payments			
Payments to suppliers and employees		(17,024,310)	(13,291,879)
Goods and services tax paid to the ATO [(a)]		(1,005,974)	-
Interest and other costs of finance paid		(724)	(1,283)
Total payments		**(18,031,008)**	**(13,293,162)**
Net cash flows from/(used in) operating activities	6.4.1	**9,988,367**	**4,770,704**
Cash flows from investing activities			
Proceeds/(Payment) from sale of plant and equipment		(3,222)	15,727
Payment for leasehold improvements in progress		(122,286)	-
Net cash flows from/(used in) investing activities		**(125,508)**	**15,727**
Cash flows from financing activities			
Repayment of borrowings and finance leases		(7,406)	(8,440)
Net cash flows used in financing activities		**(7,406)**	**(8,440)**
Net increase/(decrease) in cash and cash equivalents		**9,855,453**	**4,777,991**
Cash and cash equivalents at beginning of financial year		26,884,024	22,106,033
Cash and cash equivalents at end of financial year	6.4	**36,739,477**	**26,884,024**

The accompanying notes form part of these financial statements.

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

Consolidated statement of changes in equity

For the financial year ended 30 June 2018

	Consolidated		
	Accumulated surplus $	Contributions by owner $	Total $
Balance at 1 July 2016	**11,973,665**	**5,000,000**	**16,973,665**
Net result for the year	2,977,798	-	2,977,798
Balance at 30 June 2017	**14,951,463**	**5,000,000**	**19,951,463**
Net result for the year	7,051,706	-	7,051,706
Balance at 30 June 2018	**22,003,169**	**5,000,000**	**27,003,169**

The accompanying notes form part of these financial statements.

Notes to the financial statements

1. About this report

Agriculture Victoria Services Pty Ltd (the Company) is domiciled in Victoria, Australia and its registered office is at 475 Mickleham Road, Attwood, VIC 3049, Australia.

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

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

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

These consolidated financial statements were authorised for issue by the Directors of the Company on 24 August 2018.

1.1 Basis of preparation

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

a. Currency

All figures are denominated in Australian dollars.

b. Historical cost

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

c. Accrual basis

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

d. Accounting policies

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

e. Consolidation of Group entities

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

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

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

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

f. Judgements, estimates and assumptions

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

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

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

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

1.2 Compliance information

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

Standards Board. Where applicable, the consolidated general purpose financial statements have also been prepared in accordance with the 2017–18 DTF Model Financial Report.

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

2. Funding delivery of our services

Introduction

The Company is a specialist, professional entity responsible for the protection and commercialisation of novel technologies created by the leading biosciences and agriculture research undertaken by the Department of Economic Development, Jobs, Transport and Resources (the Department, DEDJTR).

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

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

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

2.1 Summary of income that funds the delivery of our services

	Consolidated	
	2018 $	2017 $
Revenue from services and royalties		
Income from supply of services	10,801,313	8,534,284
Royalty income	16,661,847	8,244,704
Total revenue from services and royalties	**27,463,160**	**16,778,988**
Interest revenue		
Interest on bank deposits	636,349	471,372
Total interest revenue	**636,349**	**471,372**
Total income from transactions	**28,099,509**	**17,250,360**

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

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

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

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

Under this method, income 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 and upon completion by the licensee of annual licence reports, as required under all licence agreements.

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

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

3. The cost of delivering services

Introduction

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

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

Structure

3.1 Expenses incurred in delivery of services

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

	Notes	Consolidated 2018 $	2017 $
Employee benefit expenses	3.2	1,729,148	1,734,764
Research and development, royalty and patent expenses	3.3	17,699,948	11,278,422
Operating expenses	3.4	1,522,073	1,324,271
Total expenses incurred in delivery of services		**20,951,169**	**14,337,457**

3.2 Employee benefit expenses

3.2.1 Employee benefits in the comprehensive operating statement

	Consolidated 2018 $	2017 $
Salaries and wages, annual leave and long service leave	1,585,272	1,589,298
Defined contribution superannuation expense	131,349	132,352
Defined benefit superannuation expense	12,527	13,114
Total employee benefit expenses	**1,729,148**	**1,734,764**

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

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

Notes to the financial statements continued

3.2.2 Employee benefits in the balance sheet

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

	Consolidated 2018 $	2017 $
Current provisions:		
Annual leave		
Unconditional and expected to settle within 12 months	115,531	91,143
Long service leave		
Unconditional and expected to settle within 12 months	6,772	27,110
Unconditional and expected to settle after 12 months	124,034	91,901
Provisions for on-costs		
Unconditional and expected to settle within 12 months	1,077	18,781
Unconditional and expected to settle after 12 months	19,730	14,519
Total current provisions for employee benefits	**267,144**	**243,454**
Non-current provisions:		
Employee benefits	21,953	50,959
On-costs	3,492	8,051
Total non-current provisions for employee benefits	**25,445**	**59,010**
Total provisions for employee benefits	**292,589**	**302,464**

Reconciliation of movement in provision

	Consolidated 2018 $	2017 $
Opening balance	**302,464**	**332,206**
Additional provisions recognised	113,429	87,634
Reductions arising from payments/other sacrifices of future economic benefits	(123,304)	(136,877)
Unwind of discount and effect of changes in the discount rate	-	19,501
Closing balance	**292,589**	**302,464**
Current	267,144	243,454
Non-current	25,445	59,010

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 is 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 comprehensive operating statement as it is taken.

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

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

The components of this current LSL liability are measured at:

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

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

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

3.2.3 Superannuation contributions

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

As noted before, the defined benefit liability is recognised in DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of the Company.

	Consolidated Paid contribution for the year		Consolidated Contribution outstanding at year end	
	2018 $	2017 $	2018 $	2017 $
Defined benefit plans [a]				
State Superannuation Fund	11,130	11,773	1,397	1,341
Defined contribution plans				
VicSuper	57,475	62,135	5,092	4,985
Other	61,903	58,474	6,878	6,758
Total	**130,508**	**132,382**	**13,367**	**13,084**

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

Notes to the financial statements continued

3.3 Research and development, royalty and patent expenses

	Consolidated 2018 $	2017 $
Contract research and development project expenses	7,852,724	5,606,644
Royalty expenses	8,050,216	4,073,382
Patent expenses	1,797,008	1,598,396
Total research and development, royalty and patent expenses	**17,699,948**	**11,278,422**

Contract research and development project expenses 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 IP 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 IP assets and are recognised as an expense in the reporting period in which they are incurred.

3.4 Operating expenses

	Consolidated 2018 $	2017 $
Rent and utilities	276,875	276,875
Insurance	92,127	102,095
Legal	456,414	166,855
Consultants	99,491	188,774
Audit services	48,320	78,800
Other borrowing costs (other than interest)	4,117	3,796
Recruitment costs	145,718	77,317
Directors fees	97,287	94,603
Relocation cost	65,042	67,069
Travel	46,966	15,040
Training	45,717	45,926
Subscriptions	29,862	21,521
Other operating expenses	114,137	185,600
Total operating expenses	**1,522,073**	**1,324,271**

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.

Structure

4.1 Plant, equipment and vehicles

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Plant and equipment at fair value	2,659	2,659	(2,568)	(2,540)	91	119
Motor vehicles at fair value	96,327	114,622	(50,603)	(32,142)	45,724	82,480
Net carrying amount	**98,986**	**117,281**	**(53,171)**	**(34,682)**	**45,815**	**82,599**

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

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

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

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

4.1.1 Depreciation for the period

	Consolidated 2018 $	2017 $
Plant and equipment	28	34
Motor vehicles	21,358	23,670
Total depreciation	**21,386**	**23,704**

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)
Vehicle (including leased assets)	3 to 5
Plant and equipment	3 to 10

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

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

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

	Plant equipment and vehicles at fair value 2018 $	2017 $
Opening balance	**82,599**	**105,774**
Additions	-	18,296
Disposals	(15,398)	(17,767)
Depreciation	(21,386)	(23,704)
Closing balance	**45,815**	**82,599**

Note:
This reconciliation is for both for the Company and the consolidated entity, as the subsidiary does not hold any assets.

Notes to the financial statements continued

4.2 Intangible assets

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

Significant intangible assets

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

The carrying amount of Primary Oilseeds is $1.507 million. Its useful life is 18 years and will be fully amortised in 2021.

The carrying amount of Holl Canola is $300,000. Its useful life is 19 years and will be fully amortised in 2026.

4.2.1 Amortisation for the period

	Consolidated 2018 $	2017 $
Intangible produced assets	71,329	42,480
Total amortisation	**71,329**	**42,480**

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

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

Notes to the financial statements continued

4.2.2 Reconciliation of movements in carrying amount of intangible asset

	Primary Oilseeds (a)		HOLL Canola (a)		Computer software		Total	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Gross carrying amount								
Opening balance	1,506,677	1,506,677	300,000	300,000	15,796	15,796	1,822,473	1,822,473
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Closing balance	**1,506,677**	**1,506,677**	**300,000**	**300,000**	**15,796**	**15,796**	**1,822,473**	**1,822,473**
Accumulated depreciation, amortisation and impairment								
Opening balance	**(1,293,365)**	**(1,408,758)**	**(155,473)**	**(137,473)**	**(15,796)**	**(15,796)**	**(1,464,634)**	**(1,562,027)**
Amortisation	(53,329)	(24,480)	(18,000)	(18,000)	-	-	(71,329)	(42,480)
Reversals of impairment losses charged to net result (b)	-	139,873	-	-	-	-	-	139,873
Written back on disposal	-	-	-	-	-	-	-	-
Closing balance	**(1,346,694)**	**(1,293,365)**	**(173,473)**	**(155,473)**	**(15,796)**	**(15,796)**	**(1,535,963)**	**(1,464,634)**
Net book value at end of financial year	**159,983**	**213,312**	**126,527**	**144,527**	**-**	**-**	**286,510**	**357,839**

Notes:
(a) The Primary Oilseeds and Holl Canola development programs represent internally generated intangible assets that have arisen from development expenditure.
(b) Reversal of impairment is included in the line item 'net gain/(loss) on non-financial assets' in the comprehensive operating statement.

Initial recognition

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

Subsequent measurement

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

Impairment of intangible assets

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

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

4.3 Interests in subsidiary entity

	Ordinary share entity interest 2018 %	2017 %
Controlled entities		
Phytogene Pty Ltd	100	100

Phytogene Pty Ltd was incorporated on 30 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 these financial statements.

The Company owns Phytogene share capital of $855,002. The investment is measured at historical cost and no impairment was identified for the year ended 30 June 2018.

Please refer to Note 1.1 for the principles of consolidation.

4.4 Leasehold improvements in progress

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Leasehold improvements in progress	122,286	-	-	-	122,286	-
Net carrying amount	**122,286**	-	-	-	**122,286**	-

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

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

For the current financial year, leasehold improvements in progress are classified as work-in-progress and are not depreciated during the year. There were no leasehold improvements in the previous year.

Upon practical completion and handover of the leasehold improvements asset, the asset classification will change and the asset will be depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

5. Other assets and liabilities

Introduction

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

Structure

5.1 Receivables

	Consolidated 2018 $	2017 $
Current receivables		
Contractual		
Sale of services and royalties	2,627,994	1,030,494
Accrued interest income	171,045	118,150
Other receivables	170,910	109,745
Amounts owed from the Department	640,139	22,083
Statutory		
GST input tax credit recoverable	101,364	307,514
Total current receivables	**3,711,452**	**1,587,986**

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

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

Notes to the financial statements continued

Ageing analysis of contractual receivables for the consolidated entity

	Carrying amount $	Not past due and not impaired $	Past due but not impaired: Less than 1 month $	1–3 months $	3 months – 1 year $	1–5 years $
2018						
Sale of services and royalties	2,627,994	1,964,225	539,246	87,895	36,628	-
Accrued interest income	171,045	171,045	-	-	-	-
Other receivables	170,910	170,910	-	-	-	-
Amounts owed from the Department	640,139	616,935	1,122	-	22,082	-
Total	**3,610,088**	**2,923,115**	**540,368**	**87,895**	**58,710**	**-**
2017						
Sale of services and royalties	1,030,494	937,094	41,251	12,817	39,331	-
Accrued interest income	118,150	118,150	-	-	-	-
Other receivables	109,745	109,745	-	-	-	-
Amounts owed from the Department	22,083	22,083	-	-	-	-
Total	**1,280,472**	**1,187,072**	**41,251**	**12,817**	**39,331**	**-**

The average credit period for sales of services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired. Currently the Group does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

Notes to the financial statements continued

5.2 Payables

	Consolidated 2018 $	2017 $
Current payables		
Contractual		
Supplies and services	130,256	1,522,317
Amounts payable to the Department	11,324,918	5,990,369
Other payables and accrued expenses	1,906,674	969,483
Statutory		
FBT payable	6,170	14,210
GST payable	150,345	80,268
Other taxes payable	73,664	41,218
Total current payables	**13,592,027**	**8,617,865**

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 the particular agreements.

There are no contingent liabilities as at 30 June 2018 (2017: nil).

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

	Carrying amount $	Nominal amount $	Maturity dates: Less than 1 month $	1–3 months $	3 months – 1 year $	1+ years $
2018						
Supplies and services	130,256	130,256	-	-	-	-
Amounts payable to the Department	11,324,918	11,324,918	11,176,090	135,078	13,750	-
Other payables	1,906,674	1,906,674	1,906,674	-	-	-
Total	**13,361,848**	**13,361,848**	**13,082,764**	**135,078**	**13,750**	**-**
2017						
Supplies and services	1,522,316	1,522,316	1,489,272	12,669	20,375	-
Amounts payable to the Department	5,990,369	5,990,369	5,821,562	33,693	135,114	-
Other payables	969,483	969,483	969,483	-	-	-
Total	**8,482,168**	**8,482,168**	**8,280,317**	**46,362**	**155,489**	**-**

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

6. Financing our operations

Introduction

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

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

Structure

6.1 Borrowings

	Consolidated 2018 $	2017 $
Current borrowings		
Finance lease liabilities [a]	17,755	9,745
Total current borrowings	**17,755**	**9,745**
Non-current borrowings		
Finance lease liabilities	-	30,910
Total non-current borrowings	**-**	**30,910**
Total borrowings	**17,755**	**40,655**

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.

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

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

6.2 Interest expense

	Consolidated 2018 $	2017 $
Interest expense		
Interest on finance lease	724	1,283
Total interest expense	**724**	**1,283**

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

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

6.3 Finance lease

	Minimum future lease payments [(a)]		Present value of minimum future payments	
	2018 $	2017 $	2018 $	2017 $
Finance lease liabilities payable[(b)]				
Not longer than 1 year	18,021	10,923	18,021	10,923
Longer than 1 year but not longer than 2 years	-	21,622	-	21,622
Longer than 2 years	-	10,036	-	10,036
Minimum future lease payments				
Less future finance charges	(266)	(1,926)	(266)	(1,926)
Present value of minimum lease payments	**17,755**	**40,655**	**17,755**	**40,655**
Included in the financial statements as:				
Current borrowings lease liabilities (Note 6.1)			17,755	9,745
Non-current borrowings lease liabilities (Note 6.1)			–	30,910
Total			**17,755**	**40,655**

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

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

6.4 Cash flow 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 2018 $	2017 $
Cash at bank and on hand	3,725,759	985,191
Deposits at call	1,530,038	347,088
Deposits < 90 days	31,483,680	25,551,745
Balance as per cash flow statement	**36,739,477**	**26,884,024**

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

	Consolidated 2018 $	2017 $
Net result for the period	**7,051,706**	**2,977,798**
Non-cash movements		
Loss on sale or disposal of non-current assets	3,124	2,039
Depreciation and amortisation of non-current assets	92,714	66,184
Impairment loss / (reversal) of intangible assets	-	(139,873)
Movements in assets and liabilities		
(Increase)/decrease in receivables	(2,123,465)	(134,080)
Increase/(decrease) in payables	4,974,163	2,028,378
Increase/(decrease) in provisions	(9,875)	(29,742)
Net cash flows from operating activities	**9,988,367**	**4,770,704**

6.5 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 2018	Less than 1 year	1–5 years	5+ years	Total $
Research expenditure commitments payable	1,349,150	1,045,000	-	2,394,150
Operating lease commitments payable	93,720	702,900	609,180	1,405,800
Total commitments (inclusive of GST)	**1,442,870**	**1,747,900**	**609,180**	**3,799,950**
Less GST recoverable	(131,170)	(158,900)	(55,380)	(345,450)
Total commitments (exclusive of GST)	**1,311,700**	**1,589,000**	**553,800**	**3,454,500**

Nominal amounts 2017	Less than 1 year	1–5 years	5+ years	Total $
Research expenditure commitments payable	603,130	1,426,150	-	2,029,280
Total commitments (inclusive of GST)	**603,130**	**1,426,150**	**-**	**2,029,280**
Less GST recoverable	(54,830)	(129,650)	-	(184,480)
Total commitments (exclusive of GST)	**548,300**	**1,296,500**	**-**	**1,844,800**

Research expenditure commitments represent investment in research activities of the Department where the Group acquires an interest in future outcomes from new technology commercialisation.
Operating lease commitments represent the rental of the Group's new office premises. Practical completion is planned for October 2018.

(b) Capital commitments

Capital commitments represent the leasehold improvements for the Group's new premises.

The total capital commitments as at 30 June 2018 is $607,079 (2017: nil).

Nominal amounts 2018	Less than 1 year	1–5 years	5+ years	Total $
Capital commitments payable	667,787	-	-	667,787
Total commitments (inclusive of GST)	**667,787**	**-**	**-**	**667,787**
Less GST recoverable	(60,708)	-	-	(60,708)
Total commitments (exclusive of GST)	**607,079**	**-**	**-**	**607,079**

7. Risks, contingencies and valuation judgements

Introduction

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

Structure

7.1 Financial instruments specific disclosures

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

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

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

The Group recognises the following assets in this category:

- cash and deposits
- receivables
- term deposits.

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

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

- payables (excluding statutory payables)
- borrowings (finance lease liabilities).

Impairment of financial assets: At the end of each reporting period, the Group 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.

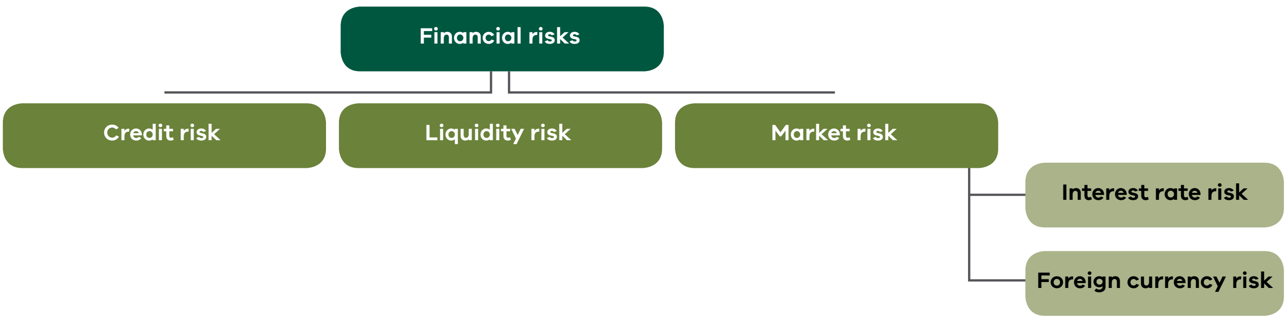
The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

7.1.1 Financial instruments: categorisation

	2018		2017	
	Contractual financial assets – loans and receivables cash $	Contractual financial liabilities at at amortised cost $	Contractual financial assets – loans and receivables cash $	Contractual financial liabilities at at amortised cost $
Contractual financial assets				
Cash and deposits	36,739,477	-	26,884,024	-
Receivables [(a)]				
Sale of services and royalties	2,627,994	-	1,030,494	-
Accrued interest income	171,045	-	118,150	-
Other receivables	293,196	-	109,745	-
Amounts owed from the Department	640,139	-	22,083	-
Other financial assets	-	-	-	-
Total contractual financial assets	**40,471,851**	**-**	**28,164,496**	**-**
Contractual financial liabilities				
Payables [(a)]				
Supplies and services	-	130,256	-	1,522,317
Amounts payable to the Department	-	11,324,918	-	5,990,369
Other payables	-	1,906,674	-	969,483
Borrowings				
Finance lease liabilities	-	17,755	-	40,655
Total contractual financial liabilities	**-**	**13,379,603**	**-**	**8,522,824**

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

7.1.2 Financial risk management objectives and policies



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

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

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

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

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

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

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

In addition, the consolidated entity does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Company's policy is to only deal with banks with high credit ratings.

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

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

There has been no material change to the consolidated entity's credit risk profile in 2017–18.

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

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

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

Sensitivity disclosure analysis and assumptions

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

- a movement of 100 basis points up and down in market interest rates (AUD).

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

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

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

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

Notes to the financial statements continued

Interest rate exposure of financial instruments for the consolidated entity 2018

2018	Weighted average interest rate %	Carrying amount $	Fixed interest rate $	Variable interest rate $	Non-interest bearing $
Financial assets					
Cash and deposits					
Cash at bank	0.05	3,725,759	-	3,725,759	-
Deposits at call	1.45	1,530,038	-	1,530,038	-
Deposits < 90 days	1.97	31,483,680	185,000	31,298,680	-
Receivables [(a)]					
Sale of services and royalties	-	2,627,994	-	-	2,627,994
Accrued interest income	-	171,045	-	-	171,045
Other receivables	-	170,910	-	-	170,910
Amounts owed from the Department	-	640,139	-	-	640,139
Total financial assets	**-**	**40,349,565**	**185,000**	**36,554,477**	**3,610,088**
Financial liabilities					
Payables [(a)]					
Supplies and services	-	130,256	-	-	130,256
Amounts payable to the Department	-	11,324,918	-	-	11,324,918
Other payables	-	1,906,674	-	-	1,906,674
Borrowings					
Finance lease liabilities	3.25	17,755	17.,755	-	-
Total financial liabilities		**13,379,603**	**17,755**	**-**	**13,361,848**

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

Notes to the financial statements continued

Interest rate exposure of financial instruments for the consolidated entity 2017

2017	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	985,191	-	985,191	-
Deposits at call	1.47	347,088	-	347,088	-
Deposits < 90 days	1.79	25,551,745	215,000	25,336,745	-
Receivables [(a)]					
Sale of services and royalties	-	1,030,494	-	-	1,030,494
Accrued interest income	-	118,150	-	-	118,150
Other receivables	-	109,745	-	-	109,745
Amounts owed from the Department	-	22,083	-	-	22,083
Total financial assets	**-**	**28,164,496**	**215,000**	**26,669,024**	**1,280,472**
Financial liabilities					
Payables [(a)]					
Supplies and services	-	1,522,317	-	-	1,522,317
Amounts payable to the Department	-	5,990,369	-	-	5,990,369
Other payables	-	969,483	-	-	969,483
Borrowings					
Finance lease liabilities	3.25	40,655	40,655	-	-
Total financial liabilities		**8,522,824**	**40,655**	**-**	**8,482,169**

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

Notes to the financial statements continued

Interest rate risk sensitivity for the consolidated entity

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

2017	Carrying amount	-0.5% Net result	+0.5% Net result
Financial assets			
Cash and deposits			
Cash at bank	985,191	(4,926)	4,926
Deposits at call	347,088	(1,735)	1,735
Deposits < 90 days	25,551,745	(127,759)	127,759
Total impact	**26,884,024**	**(134,420)**	**134,420**

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

Foreign currency risk

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

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

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

There are no foreign currency denominated assets/liabilities as at 30 June 2018 (2017: nil).

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 2018 (2017: 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 how the determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities
- plant, equipment and vehicles.

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

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

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

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

No transfers between levels was required during the 2017–18 financial year. (2016–2017: nil).

How this section is structured
For those assets and liabilities for which fair values are determined, the following disclosures are provided:

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

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

7.3.1 Fair value determination of financial assets and liabilities

The Group currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2017–18 reporting period.

These financial instruments include:

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

7.3.2 Fair value determination of non-financial assets

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

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices.

Notes to the financial statements continued

- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly.
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

Fair value measurement hierarchy

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

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

2017	Carrying amount as at 30 June 2017	Fair value measurement at the end of reporting period using: Level 1 (a)	Level 2 (a)	Level (a)
Plant, equipment and vehicles at fair value				
Vehicles	82,480	n.a.	-	82,480
Plant and equipment	119	n.a.	-	119
Intangible assets	357,839			357,839
Total non-financial assets at fair value	**440,438**	**n.a.**	**-**	**440,438**

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

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

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

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

There were no changes in valuation techniques throughout the period to 30 June 2018.

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

Description of significant unobservable inputs to Level 3 valuations

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

Note:
(a) Significant unobservable inputs have remained unchanged since June 2018.

8. Other disclosures

Introduction

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

Structure

8.1 Other economic flows included in net result

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

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

	Consolidated 2018 $	2017 $
Net gain/(loss) on non-financial assets		
Reversal of impairment of intangible assets [a]	-	139,873
Net gain/(loss) on disposal of property plant and equipment	(3,124)	(2,039)
Total net gain/(loss) on non-financial assets	**(3,124)**	**137,834**
Net gain/(loss) on financial instruments		
Net FX gain/(loss) arising from foreign cash and transactions	-	152
Total net gain/(loss) on financial instruments	**-**	**152**
Other gains/(losses) from other economic flows		
Net gain/(loss) arising from revaluation of long service liability [b]	(72)	(5,624)
Total other gains/(losses) from other economic flows	**(72)**	**(5,624)**

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

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 Jaala Pulford ML, who held this position for the full financial year 1 July 2017 to 30 June 2018.

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

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

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

Dr C Noble (AVS Chairman and Phytogene Director)	1 July 2017 to 30 June 2018
Ms K Adams (AVS Director)	1 July 2017 to 30 June 2018
Dr R Aldous (AVS Director)	1 July 2017 to 30 June 2018
Ms S Andersen (AVS Director)	1 July 2017 to 30 June 2018
Dr A Caples (AVS Director)	1 July 2017 to 30 June 2018
Mr P Turvey (AVS Director and Phytogene Chairman)	1 July 2017 to 30 June 2018
Prof G Spangenberg (Phytogene Director)	1 July 2017 to 30 June 2018
Mr D Liesegang (AVS CEO and Phytogene EO)	1 July 2017 to 30 June 2018

Remuneration of directors and accountable officers
Remuneration received or receivable by the board of directors in connection with the management of the Group during the reporting period was in the range: $19,000 – $29,000 ($16,000 – $26,000 in 2016–17).

No remuneration is paid by the Group to directors employed by 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: $280,000 to $290,000 ($230,000 to $240,000 in 2016–17).

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

8.3 Remuneration of executives

The number of executive officers, other than directors and the responsible Minister and their total remuneration during the reporting period are shown in the table on page 72. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

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

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

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

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

Notes to the financial statements continued

Remuneration of executive officers (including key management personnel disclosed in Note 8.4)	Total remuneration 2018	2017
Short-term employee benefits	$511,515	$502,306
Post-employment benefits	$48,205	$47,799
Other long-term benefits	$56,098	$23,261
Total remuneration [(a)]	**$615,818**	**$573,366**
Total number of executives	**5**	**5**
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.

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

8.4 Related parties

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

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

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

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

Dr C Noble (AVS Chairman and Phytogene Director)	1 July 2017 to 30 June 2018
Ms K Adams (AVS Director)	1 July 2017 to 30 June 2018
Dr R Aldous (AVS Director)	1 July 2017 to 30 June 2018
Ms S Andersen (AVS Director)	1 July 2017 to 30 June 2018
Dr A Caples (AVS Director)	1 July 2017 to 30 June 2018
Mr P Turvey (AVS Director and Phytogene Chairman)	1 July 2017 to 30 June 2018
Prof G Spangenberg (Phytogene Director)	1 July 2017 to 30 June 2018
Mr D Liesegang (AVS CEO and Phytogene EO)	1 July 2017 to 30 June 2018

Compensation of KMPs	Consolidated 2018 $	2017 $
Short-term employee benefits	$316,465	$274,866
Post-employment benefits	$30,064	$26,112
Other long-term benefits	$53,374	$6,713
Total remuneration [(a)(b)(c)]	**$399,903**	**$307,691**

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

Transactions and balances with key management personnel and other related parties

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

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

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

8.5 Significant commercial transactions with the State of Victoria

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

For the year ended 30 June 2018, the Department of Economic Development, Jobs, Transport and Resources 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	
	2018 $	2017 $
Revenues		
Received from the Department	2,039,646	3,461,079
Expenses		
Paid to the Department	10,093,367	7,125,184
Receivables		
Receivable from the Department	640,139	22,083
Payables		
Payable to the Department	11,324,918	5,990,369

8.6 Parent entity information

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

Investments in subsidiary

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

Notes to the financial statements continued

Balance sheet	2018 $	2017 $
Assets		
Financial assets		
Cash and deposits	36,537,735	26,609,748
Receivables	3,709,993	1,602,203
Other financial assets	855,002	855,002
Total financial assets	**41,102,730**	**29,066,953**
Non-financial assets		
Plant, equipment and motor vehicle	45,815	82,599
Intangible assets	286,510	357,839
Leasehold Improvements in progress	122,286	-
Total non-financial assets	**454,611**	**440,438**
Total assets	**41,557,341**	**29,507,391**
Liabilities		
Payables	13,575,427	8,602,869
Borrowings	17,755	40,655
Employee related provisions	292,589	302,464
Total liabilities	**13,885,771**	**8,945,988**
Net assets	**27,671,571**	**20,561,403**
Equity		
Accumulated surplus/(deficit)	22,671,571	14,951,463
Contributed capital	5,000,000	5,000,000
Net worth	**27,671,571**	**19,951,463**

Profit and loss statement	2018 $	2017 $
Net result from transactions (net operating balance)	7,113,364	2,914,302
Other economic flows included in net result	(3,196)	132,362
Total comprehensive result	**7,110,168**	**3,046,664**

Contingent assets and liabilities of the parent entity
There are no contingent assets and liabilities as at 30 June 2018. (2017: nil)

Commitments for the acquisition of leasehold improvements by the parent entity

Leasehold improvements	2018 $	2017 $
Not longer than 1 year	607,079	-
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
Total	**607,079**	**-**

8.7 Remuneration of auditors

	Consolidated 2018 $	2017 $
Victorian Auditor-General's Office		
Audit the financial statements	25,000	40,500
Internal Audit Services		
HLB Mann Judd Pty Ltd	16,520	38,300
Other non-audit services [(a)]	-	-
Total remuneration of auditors	**41,520**	**78,800**

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

8.8 Subsequent events

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

8.9 Other accounting policies and presentation of financial statements

Contributions by owners

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

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

Foreign currency balances / transactions

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

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

Comprehensive operating statement

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

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

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

Balance sheet

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

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

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

Cash flow statement

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

Statement of changes in equity

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

Accounting for goods and services tax

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

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

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

Income tax

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

Compliance information

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

8.10 Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published which are not mandatory for the 30 June 2018 reporting period. The Group assesses the impact of these new standards and their applicability and early adoption where applicable.

Summary of new/revised accounting standards effective for current and future reporting periods

Current reporting period

The following accounting pronouncements effective from 1 July 2018 reporting period are considered to have insignificant impacts on public sector reporting:

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

Future reporting periods

The table below outlines the accounting pronouncements that have been issued but not effective for 2017–18, which may result in potential impacts on public sector reporting for future reporting periods.

Topic [(a)]	Key requirements	Effective date
AASB 9 *Financial Instruments*	The key changes introduced by AASB 9 include 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. **No impact on the Group.**	1 January 2019
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	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, and to amend Reduced Disclosure requirements. **No impact on the Group.**	1 January 2019
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9. **No impact on the Group.**	1 January 2019
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15* has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017. **No impact on the Group.**	1 January 2019
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends as follows: • Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. • Dividends are recognised in the profit and loss only when: - the entity's right to receive payment of the dividend is established - it is probable that the economic benefits associated with the dividend will flow to the entity - the amount can be measured reliably. **No impact on the Group.**	1 January 2019

Notes to the financial statements continued

Topic [a]	Key requirements	Effective date
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018. **No impact on the Group.**	1 January 2019
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This standard amends AASB 15 to clarify requirements for identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • a promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation • for items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer • for licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). **No impact on the Group.**	1 January 2019
AASB 2016-7 *Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities*	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019. **No impact on the Group.**	1 January 2019
AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events. The amendments: • require non-contractual receivables arising from statutory requirements (i.e. taxes, rates and fines) to be initially measured and recognised in accordance with AASB 9 as if those receivables are financial instruments • clarify circumstances when a contract with a customer is within the scope of AASB 15. **No impact on the Group.**	1 January 2019

Notes to the financial statements continued

Topic [a]	Key requirements	Effective date
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on the balance sheet, which has an impact on net debt. **This may have a material impact in the future years.**	1 January 2019
AASB 1058 *Income of Not-for-Profit Entities*	This standard will replace AASB 1004 *Contributions* and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. The restructure of administrative arrangement will remain under AASB 1004. **No impact on the Group.**	1 January 2019
AASB 1059 *Service Concession Arrangements: Grantor*	This standard prescribes the accounting treatment of Public Private Partnership (PPP) arrangements involving a private sector operator providing public services related to a service concession asset on behalf of the state, for a specified period of time. For social infrastructure PPP arrangements, this would result in an earlier recognition of financial liabilities progressively over the construction period rather than at completion date. For economic infrastructure PPP arrangements, that were previously not on the balance sheet, the standard will require recognition of these arrangements on the balance sheet. **No impact on the Group.**	1 January 2019

Notes to the financial statements continued

The following accounting pronouncements are also issued but not effective for the 2017–18 reporting period. At this stage, the preliminary assessment suggests they may have insignificant impacts on public sector reporting.

- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement*

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

8.11 Glossary of technical terms

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

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

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

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

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

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

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

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

Financial asset is any asset that is:

(a) cash

(b) an equity instrument of another entity

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

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

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

Financial liability is any liability that is:

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

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

Financial statements comprises:

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

(b) a comprehensive operating statement for the period

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

(d) a cash flow statement for the period

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

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

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

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

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

Net financial liabilities is calculated as liabilities less financial assets.

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

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

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

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

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

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

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

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

Prepayments 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
201x	year period
201x 1x	year period

The financial statements and notes are presented based on the illustration for government department/agencies in the 2017–18 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
AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ATO	Australian Taxation Office
AVS	Agriculture Victoria Services Pty Ltd
AVR	Agriculture Victoria Research division
ARMC	Audit & Risk Management Committee
BET	Biomass Enhancement Technology
CRC	Cooperative Research Centre
Department or DEDJTR	The State of Victoria's Department of Economic Development, Jobs, Transport and Resources
DTF	Department of Treasury and Finance
Event	A plant, plant cell, plant cell culture, and/or plant tissue that phenotypically expresses one or more one or more plant traits and that is protected by intellectual property rights.
ExZact®	A precision genome editing technology using zinc finger nucleases proprietary to Dow AgroSciences that enables plant breeders to deliver better hybrids and varieties more efficiently, as well as offer plant scientists additional resources to provide new improvements in plant biotechnology.
Fungal endophyte	A fungus that lives within a plant, is naturally occurring and lives harmoniously with the host plant.
Genome editing (or 'gene editing')	Genome editing is a precision breeding method that involves targeting changes to an organism's own DNA sequence by guiding the organism's DNA repair mechanism to make targeted modifications to the genome.
Genome modification (or 'GM')	Genetic modification is a breeding method that involves the addition of a gene construct into an organism's own DNA sequence.
Genomic selection	A breeding method that provides a simple, accelerated and inexpensive approach to dissecting complex traits and estimating the breeding values of plants and animals.
GST	Goods and Services Tax
HOLL	High Oleic, Low Linolenic
HT	Herbicide Tolerant
IBAC	Independent Broad-based Anti-corruption Commission
ICT	Information and Communications Technology
IP	Intellectual property
LXR®	Delayed plant leaf senescence technology. Pronounced 'Elixir'.
NPV	Net Present Value
Mutagenesis	A process leading to genetic variation through the generation of mutations. It may occur spontaneously in nature, or as a result of induced exposure to mutagens.

Appendix 1: Acronyms and Glossary of terms continued

Term	Meaning
OHV	Optimal Haploid Value. OHV is a technology developed by AVR through a partnership between Dow AgroSciences (part of the Agriculture Division of DowDuPont, now known as 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
R&D	Research and Development
Trait	A characteristic of an organism (such as disease resistance in crops or fertility in cows).
VGRMF	Victorian Government Risk Management Framework

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