

Investing in the future

Breakthrough Victoria
Annual Report 2022
16 March 2021 - 30 June 2022



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About this Report

The *Breakthrough Victoria Annual Report 2022* highlights the company's work and achievements from its incorporation until 30 June 2022.

Breakthrough Victoria Pty Ltd (ACN 647 784 772) is required to provide a report of its operations and financial statements under Part 7 of the *Financial Management Act 1994*. The period of reporting is from date of incorporation of Breakthrough Victoria on 16 March 2021 to 30 June 2022 (determined under section 6(1) of the *Financial Management Act 1994*, dated 25 October 2021).

Breakthrough Victoria invests to build a dynamic and innovative economy that contributes solutions for global societal challenges.

We acknowledge the Traditional Owners of the lands and waters on which we live and work, and pay our respect to their Elders past and present. We acknowledge the important contribution that Aboriginal and Torres Strait Islander peoples' make in creating a thriving Victoria.



Breakthrough Victoria is rare in the Australian context – a state-owned investment manager directly investing into companies to commercialise and grow their ideas and innovations.



1. Message from the Chair and CEO



The Hon. John Brumby AO
Chair



Grant Dooley
CEO

We are pleased to present Breakthrough Victoria's inaugural Annual Report. This report tracks the company's progress from our establishment in March 2021 to June 2022. During this period, solid foundations have been laid enabling the delivery of the company's first investments and other key initiatives, as well as the development of the pipeline of opportunities outlined in this report.

Breakthrough Victoria is rare in the Australian context – a state-owned investment manager directly investing into companies to commercialise and grow their ideas and innovations. Established by the Victorian Government in 2021 with \$2 billion in funds to invest, Breakthrough Victoria's mandate is to turbocharge innovation in the state. Victoria produces many great ideas and world-class research with the potential to transform lives with the right commercial pathway. Innovation is crucial to address the big economic, social and environmental challenges, as well as generating long-term jobs for Victorians.

That is the rationale behind Breakthrough Victoria – to tackle society's challenges and invest in innovative solutions that can transform people's lives. Whether it's accelerating health and biotech development, strengthening food security, supporting clean economy initiatives, developing advanced manufacturing processes or investing in new digital technologies, Breakthrough Victoria is already rising to the challenge.

Our focus is on investments that use innovative technologies and ideas to deliver economic, social and/or environmental impact and benefits to Victoria. But as a financially sustainable, impact investor, we also look for those opportunities with a clear path to market and the potential to generate sustainable investment returns for Victorian taxpayers. We take a long-term view of ten years and beyond to allow early innovations time to develop their full commercial potential.

By lifting translation rates of research and accelerating commercial outcomes, Breakthrough Victoria aims to make a real impact across our five priority sectors of advanced manufacturing, agri-food, clean economy, digital technology and health and life sciences.

Given the uniqueness of its investment mandate, a key focus for Breakthrough Victoria since inception has been the recruitment of a talented and diverse workforce comprising investment professionals and skilled operational staff. Notwithstanding the tight labour market, recruiting efforts have borne fruit, particularly in the first six months of 2022, when the company experienced a significant period of expansion.

In November 2021, we announced our first investment into the \$95 million Biotech Incubator in the Parkville life sciences precinct alongside global leaders - CSL, the University of Melbourne and the Walter and Eliza Hall Institute for Medical Research. The incubator gives biotech start-ups access to industry expertise, academic and clinical facilities and infrastructure to commercialise innovations.

We also announced the \$100 million Breakthrough Victoria - University Innovation Platform that matches dollar-for-dollar contributions from Victorian universities to establish pre-seed funds to support the commercialisation of research and technology stemming from Victorian universities and their affiliates. The \$15 million University of Melbourne Genesis Pre-Seed Fund was the first of these funds. Discussions are well underway for pre-seed funds across Victoria's higher education sector.

During the reporting period, we committed to invest in Seer Medical to fund its expansion into overseas markets and develop its Victorian headquarters. Seer Medical developed a wearable technology that enables home-based diagnosis and long-term monitoring for epilepsy management, addressing hospital bottlenecks and barriers to treatment. Seer Medical is also working on a non-invasive seizure risk forecaster, called Seer Medical Home, to predict when a seizure may happen. Across the globe, 65 million people live with epilepsy, a condition that can be hard to diagnose, let alone treat.



Each of these investments and partnerships demonstrate how our unique business model can bring together leading universities, global companies, research institutes, start-ups, businesses, investors and government. And there will be many more examples to come as we ramp up our investment efforts and partnership activities over the coming years.

The public health response to COVID-19 reinforced the critical nature of medical research and therapeutics. It also served to accelerate technological and digital trends. The pandemic's ongoing impact continues to contribute to supply chain disruptions globally that challenge us all. Rising inflation, a tight job market, rapid technological change and a global shift towards a decarbonising economy all pose challenges, but also present opportunities.

As a patient investor with a long-term view, Breakthrough Victoria is not swayed by changes in the global economic environment. To remain globally competitive, we need to strengthen our sovereign capability to provide what innovators need: access to capital; a skilled and experienced workforce; a strong advanced manufacturing sector; a commercial mindset; and pathways to market.

A more critical time has never existed to support universities, research institutes and industry to rapidly respond to the global challenges that confront us.

While Australia has a strong track record of producing world-class research, we have traditionally lagged when it comes to the successful translation and commercialisation of this research. Breakthrough Victoria is committed to investing to help the state lift these rates and create viable pathways to market for our great innovations.

We are proud of our achievements so far, but there is a lot more to be done. While Breakthrough Victoria is only at the beginning of its journey, we are well positioned for an exciting period of growth in the months and years ahead. We look forward to playing our role as a key part of an innovation ecosystem that will make Victoria a global innovation leader.

Thank you to our innovation and investment partners, the Victorian Premier and our shareholder the Victorian Treasurer. We also thank our Board directors who have each made a huge contribution to the successful establishment and operations of Breakthrough Victoria.

2. Breakthrough Victoria Overview

2.1 Building the foundations

An investment in the future

Amid a once in 100 years global pandemic, the Victorian Government tabled its budget later than normal in November 2020, with a clear focus on supporting the Victorian community and businesses through this difficult time. As part of this budget, the Government announced the commitment of \$2 billion towards the establishment of the Breakthrough Victoria Fund. The aim of this new fund would be to ensure Victoria remained at the forefront of research and innovation, while at the same time creating a pipeline of new business opportunities and jobs for the benefit of all Victorians.

Building the company

The Victorian Government formally established the Breakthrough Victoria company to manage the Breakthrough Victoria Fund in March 2021. In the first few months, a newly-assembled Board worked with a small team of staff to establish the new company.

Dr Xavier Csar was appointed Breakthrough Victoria's acting Chief Executive Officer (CEO) before Mary Harney assumed the role in July 2021. Together with the four founding members of the Board – the Hon. John Brumby AO, Dr Amanda Caples, Professor Jane den Hollander AO and Andrew Bassat – they contributed to the establishment of the company's strategic and operational foundations. They also hosted industry roundtables and connected with innovators and investors to garner views on the role Breakthrough Victoria could play in the innovation ecosystem.

In November 2021, Grant Dooley was appointed the company's inaugural CEO, bringing to the role his extensive experience and expertise in government affairs and investment management. He was followed by Sandra Andersen, Susanne Dahn, Dr Joshua Funder, Mark Johnson and Kee Wong, all of whom joined the Board in early 2022. The addition of these new directors brought a complementary mix of venture capital, equity investment and governance expertise to augment that of the existing Board.

Investment professionals and operational teams were recruited to support the company's expansion and position it for future growth over the next decade and beyond.

With the foundations in place, Breakthrough Victoria evolved rapidly. Investment professionals and operational teams were recruited to support the company's expansion and position it for future growth over the next decade and beyond. Securing talent with direct equity investing experience was critical for the company's core investment mandate and long-term objective of financial sustainability. Governance, people and IT processes and policies were also progressively implemented over this period to support the workforce.

The recruitment of specialist skills and industry expertise, both at the Board level and within the business itself, enabled the development of key investment and reporting processes and policies. Importantly, it has also

led to a fine-tuning of the company's investment approach, as detailed in the *Breakthrough Victoria Investment Plan 2022-23*. With a well-resourced team and an investment focus spread across the product lifecycle, from early-stage innovations through to mature companies seeking expansion capital, Breakthrough Victoria is well positioned to deliver on its impact investment objectives, now and into the future.

The Investor Partner Summit Asia 2022 shared latest insights on the Victorian technology and innovation ecosystem and showcased recent investment projects by innovative Asian technology companies in Victoria. This provided an ideal opportunity to present the company's story to an international audience.



Grant Dooley was a key speaker at the Investor Partner Summit Asia 2022, sharing insights on the Victorian technology and innovation ecosystem. The event was hosted by Invest Victoria: (L-R) Rebecca Hall (Commissioner for Victoria to Southeast Asia), Grant Dooley, Danni Jarrett (CEO, Invest Victoria).

2. Breakthrough Victoria Overview

continued

2.2 Our values

In the second half of 2021/22, we refined our values to better reflect the evolving nature of the company – to set a standard of behaviour for how we work internally and with our partners to achieve our objectives.

2.3 Our strategy

Breakthrough Victoria's mandate is to make Victoria a global leader in innovation.

We aim to do this by:

- Injecting patient capital to spark ideas and grow businesses over the long-term
- Investing in ideas, people and businesses to create sustainable jobs in future industries
- Connecting companies, research institutions, governments and investors.


Through our investments, we seek to deliver technological, environmental and social impacts, as well as sustainable financial returns. Our investment objectives guide our portfolio balance, investment approach, deal sourcing, due diligence and investment recommendations.

Our values set an expectation and standard for how we work



Breakthrough Victoria investment objectives

Technological, environmental and social impact			Financial sustainability
Growing an ecosystem	Strategic and social impact	Jobs and growth	Sustainable investment model
Increase rate of IP commercialisation	New sovereign capability	Productivity Growth	Align profit and purpose
Build strong networks	Accelerate investment to solve globally significant problems	Economic growth	Deliver financial returns
Fund technology innovation platforms	Scale high-growth tech industries	Future industries	Ensure Breakthrough Victoria is sustainable beyond its first 10 years
Create strategic industries		Sustainable jobs growth	

A photograph of an industrial welding process. A robotic arm or welding torch is positioned over a metal workpiece, creating a bright blue and white arc of light. Numerous orange and yellow sparks are flying outwards from the point of contact. The background shows the structural elements of the industrial environment, including metal beams and supports. A large, dark purple triangular overlay covers the upper right portion of the image, containing white text.

Innovation is crucial to addressing the big economic, social and environmental challenges, as well as generating long-term jobs for Victorians.

2. Breakthrough Victoria Overview

continued

2.4 Our priority sectors and precincts

To maximise the benefits to Victorians, Breakthrough Victoria targets investments in five priority industry sectors and precincts.

2.4.1 Priority sectors

- Advanced manufacturing
- Agri-food
- Clean economy
- Digital technology
- Health and life sciences



Advanced manufacturing

Modern manufacturing technologies can accelerate innovative Victorian manufacturers to become globally competitive.

Manufacturing is undergoing its fourth industrial transformation through the development and adoption of "Industry 4.0" technologies. This includes additive manufacturing, advanced materials, robotics and automation, artificial intelligence and sensors and data analytics. This has broadened the view of traditional manufacturing to include pre-production activities such as R&D, and post-production activities such as data-based services.

The development and adoption of new technologies, when combined with the new business models they can facilitate, offers an unprecedented opportunity for local manufacturers to grow. Importantly, as manufacturing is a core enabler of many other sectors such as medical technologies, minerals processing, food and beverage, recycling and clean energy, and defence and space, growing the Victorian advanced manufacturing sector will accelerate growth in many other sectors.

The future success of advanced manufacturing in Victoria will depend on the continued development and

adoption of new technologies by industry. This adoption will be driven by a thriving manufacturing R&D ecosystem that is underpinned by Victorian universities and other ecosystem organisations.

Despite facing significant challenges throughout the global pandemic, manufacturing will be a key driver of post-pandemic economic recovery. In doing so, Victorian manufacturers have an enormous opportunity to use Industry 4.0 to drive their evolution – increasing productivity, diversifying revenue, and increasing market share whilst improving environmental and social outcomes.



Agri-food

Victoria's reputation for clean, safe produce helps us to develop, scale and source the next generation of agriculture. The state's agricultural production was \$17.8 billion in 2019–2020, up 12 per cent from 2018–2019. This makes Victoria the country's largest agricultural producer by value, representing 29 per cent of Australia's gross value of agricultural production (GVAP).

Victoria has the largest number of people employed in agriculture and food industries, contributing 28 per cent to total agriculture and food employment in Australia. Of the agricultural industries in Victoria, beef cattle is the largest employer, followed by sheep and grains industries.

There were 21,700 farm businesses in Victoria in 2019–20, accounting for 25 per cent of farm businesses across Australia. This number, however, marks a four per cent decline in farm businesses from 2010–11, when 32,400 operated in the state.

Victoria is Australia's largest producer of food and fibre products, comprising more than half of the state's total product exports. The state represents 26 per cent of total Australian food and fibre export value, reaching a record \$14.5 billion for the 2019–20 period.



Clean economy

The clean economy sector is one of the fastest growing segments of the global economy. In its *2021 World Energy Outlook Report*, the International Energy Agency (IEA) estimated that annual investment in clean energy projects and infrastructure will need to grow to US\$4 trillion by 2030.

The sector is set for long-term growth as more and more countries pledge to achieve net zero by 2050. The IEA expects the energy world to look completely different by 2050. Almost 90 per cent of electricity generation will come from renewable sources, with wind and solar power together accounting for close to 70 per cent. The annual market for wind turbines, solar panels, lithium-ion batteries, electrolyzers and fuel cells will grow tenfold over 2020 levels by 2050.

2. Breakthrough Victoria Overview

continued



Digital technology

Digital technologies connect people, devices and data across networks and create real-world solutions to improve lives. They contribute to improvements in productivity, sustainability, resilience, inclusion and quality of life across different industry sectors.

Globally, the digital technology sector is expected to grow significantly over the coming years with the accelerated uptake of digital technologies across industry.

The small-medium enterprise sector is leading demand for digital technology solutions as the trend towards remote working and the mobile workforce continues beyond the COVID-19 pandemic. Much of this demand will stem from IoT networks, cloud computing services, and mobile devices and applications.

In Australia, the digital technologies sector is increasing almost four times faster than the rest of the economy. This growth is advancing critical digital technologies with significant national-level investment.

Further investment in the development of key digital technologies will advance the global competitiveness of Victorian companies and provide an opportunity for graduates to gain world-class experience in Victoria that previously required a move overseas to achieve. The benefits of this investment will flow to all Victorians through improved public and private services across transport, energy, infrastructure, finance, and health.

Digital solutions are helping address climate change, labour shortages and supply chain disruptions across sectors such as agriculture, manufacturing and logistics, health and clean economy.



Health and life sciences

Victoria is a hub for life sciences research, healthcare innovation and digital health development. The sector encompasses technologies and innovations that are critical to medical research, therapeutics, medical devices, diagnostics, clinical practice, genomics, health data, digital health, dentistry and services. We have:

- Two universities in the top 35 globally for life sciences and medicine
- An extensive hospital network
- A skilled and capable workforce
- Health and innovation precincts centred around Parkville, Clayton, Bundoora and Waurn Ponds.

Though we have an outstanding health and medical research sector, there is room for improvement in translation and commercialisation. The *2021 Global Innovation Index* ranked Australia 15th out of 132 economies for Innovation Institutions and research, but we dropped to 33 in translation and commercialisation. Too many health and life sciences innovations fall into the 'valley of death' between the laboratory and the market or go offshore due to:

- A lack of early stage capital
- Risk-averse investors
- Inadequate infrastructure to support development and manufacturing
- Poor entrepreneurial capability among academics and researchers.

These challenges are not unique to this sector, but especially affect health technology industries which face long pathways to market and high costs due to extensive regulatory hurdles and clinical trial requirements.

With an ageing population and people living longer healthier lives, the need for continual improvement in health care outcomes will drive new innovations.

2.4.2 Our priority investment precincts

While Breakthrough Victoria is looking at opportunities across the whole state to increase commercialisation rates and expertise, there is a focus on key innovation and employment precincts where education, innovation and jobs intersect through collaboration. Such precincts include but are not limited to:

- Arden Macaulay
- Bundoora
- Clayton
- Fishermans Bend
- Parkville
- Waurn Ponds.



2.5 Investment programs

Breakthrough Victoria's investment programs were significantly refined in the first six months of 2022 to provide greater market clarity and more effective and efficient deployment of capital:

Breakthrough Victoria's investment programs



Pre-seed

Validate hypotheses related to problem-solution-fit, market demand

What

Early-stage investments for proof-of-concept, pre-revenue and premature prototype or Minimum Viable Product

Who

Early-stage founders and researchers

How

We will seek to uncover in excess of a hundred proposals, with around ten percent moving to further project and follow-up investment opportunities



Venture Capital

Start operations and launch the entity as a fully-fledged business

What

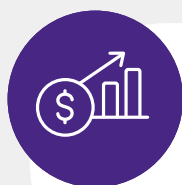
Direct equity investment

Who

Innovative businesses and follow-on investments from Breakthrough Victoria's Pre-seed program

How

Investment opportunity origination through outward engagement



Growth Capital

Investments in innovative mature businesses

What

Direct equity investments

Who

More mature businesses looking to raise growth capital for expansion of existing innovative products/services into global and domestic markets

How

Investment opportunity origination through outward engagement and follow-on investment opportunities



Platform

Encourage ecosystem collaboration and drive investable opportunities

What

Investment in core platforms

Who

Industry, universities and medical research institutes

How

Strategic partnerships will be established with key innovation entities



Fund Investment

Co-investing with our partners to collaborate on the long-term growth of the commercialisation of innovation

What

Engaging with other impact investment funds to bring Breakthrough Victoria capital alongside other institutional and retail investors

Who

Global and domestic venture capital impact funds

How

Establishing investment partnerships with leading global and domestic impact investment funds. Co-investment will be important

3. Our People



During the reporting period, we have worked hard to build an agile and high-performing workforce. Key to this has been the company's ability to attract highly skilled and expert talent in a tight labour market.

Our culture is inclusive, diverse and values-driven. Embedding this culture has been crucial to developing and supporting our current employees, as well as attracting prospective employees to join our team. Our approach encompasses:

- **Diversity** – Actively promoting diversity of thought, inclusion and, as an equal opportunity workplace, welcoming applicants from diverse backgrounds and experiences at all levels
- **Wellbeing** – Supporting mental health and wellbeing at work, promoting flexibility and a positive culture, encouraging collaboration and ensuring the company is appropriately trained and resourced to support everyone to succeed in achieving our goals
- **Professional Development** – Encouraging stretch opportunities for our employees and investing in careers beyond today, and in turn delivering a greater impact to our business and the ecosystem

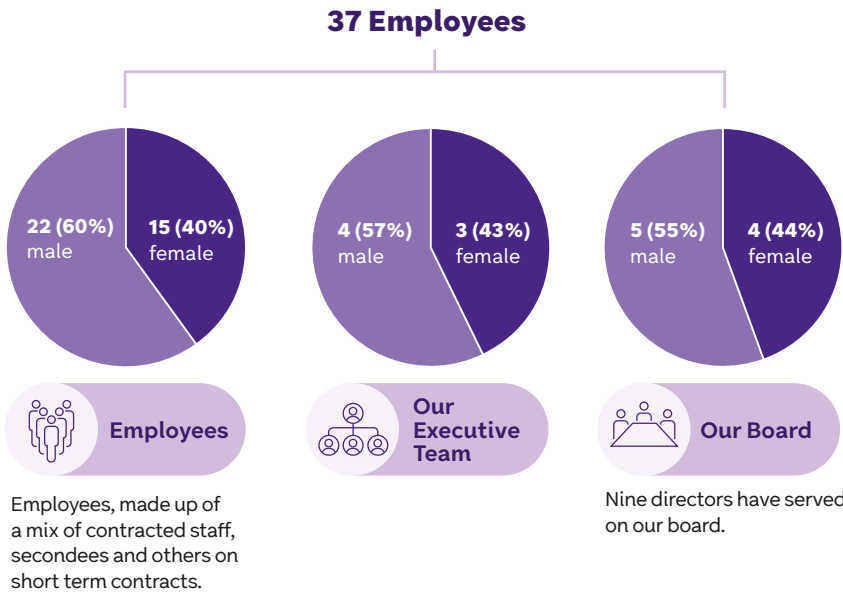
Breakthrough Victoria has been in a high growth phase as we build our capability to deliver on the company's mandate to make Victoria a global leader in innovation. We have recruited talented people with expertise across a number of areas, including investment, business operations, finance, communications and engagement. The skills mix in our

investment teams includes investment professionals with expertise in pre-seed, venture capital and growth capital investment.

The company's workforce profile ensures the optimum mix of talent and capabilities across all areas of the business. This employment mix allows Breakthrough Victoria to invest in its talent, offering staff opportunities to grow their skills across the functions of our business, but also to provide development opportunities.

Breakthrough Victoria is an equal opportunity employer and seeks to recruit talent from diverse backgrounds, disability status, organisations and lived experiences. In doing so, we bring diversity of thought to our business and operations, so that, where possible, our workforce reflects the community that we serve.

Of the thirty seven employees (including appointed staff, secondees and labour hire) as at 30 June 2022, Breakthrough Victoria had 15 female and 22 male employees. This includes an Executive Leadership Team comprised of three females and four males, and Board comprised of four males and four females.



3. Our people

continued



3.1 Occupational health and safety (OHS)

Breakthrough Victoria prioritises the health, safety and wellbeing of its people, and implemented several initiatives during the reporting period, including:

- Supporting people to use their personal leave for health and wellbeing
- Flexible leave policies to support employee work life balance
- Remote working support to enable the hybrid working model

- COVID 19 safety precautions and practices to maximise the safety of the company's staff and visitors.

These initiatives were in addition to Breakthrough Victoria's OHS program, which includes:

- Flu vaccinations
- An Employee Assistance Program (AssureCare)
- Principles to support flexible working.
- Planning for OHS/WHS family support, including online and in-house training.

Performance against occupational health and safety management

Breakthrough Victoria maintains records of all hazards, near misses, incidents and injuries reported by staff for the purposes of minimising risk of injury and ill-health or the recurrence of an incident.

Measures	Number over reporting period
Hazards identified	14
Incidents reported	0
Workers Compensation claims	0

All hazards reported during the period relate to potential exposure of employees to COVID-19. All matters are closed.

3.2 Employment and conduct principles

Breakthrough Victoria is committed to applying merit and equity principles when appointing staff. The selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. All Breakthrough Victoria positions and employees have been classified within Breakthrough Victoria's classification structure. Significant work was undertaken in the reporting period on employment policies, addressing conflict of interest, code of conduct and risk.

3.3 Organisational structure

Breakthrough Victoria's executive team comprises six functional groups, including the **General Counsel/ Company Secretary** as part of the Office of the CEO.

The **Development team** is responsible for the development and assessment of pre-seed, seed and Series A investments and Breakthrough Victoria's curation program.

The **Growth Capital team** is responsible for the development and assessment of investments at Series B and beyond.

It is also responsible for the development and management of fund-related initiatives, and the company's Platform Program-related investments.

The **Portfolio Management team** is responsible for providing and coordinating sector/technical advice on potential investments. It is also responsible for the ongoing management of investments after a deal has been executed.

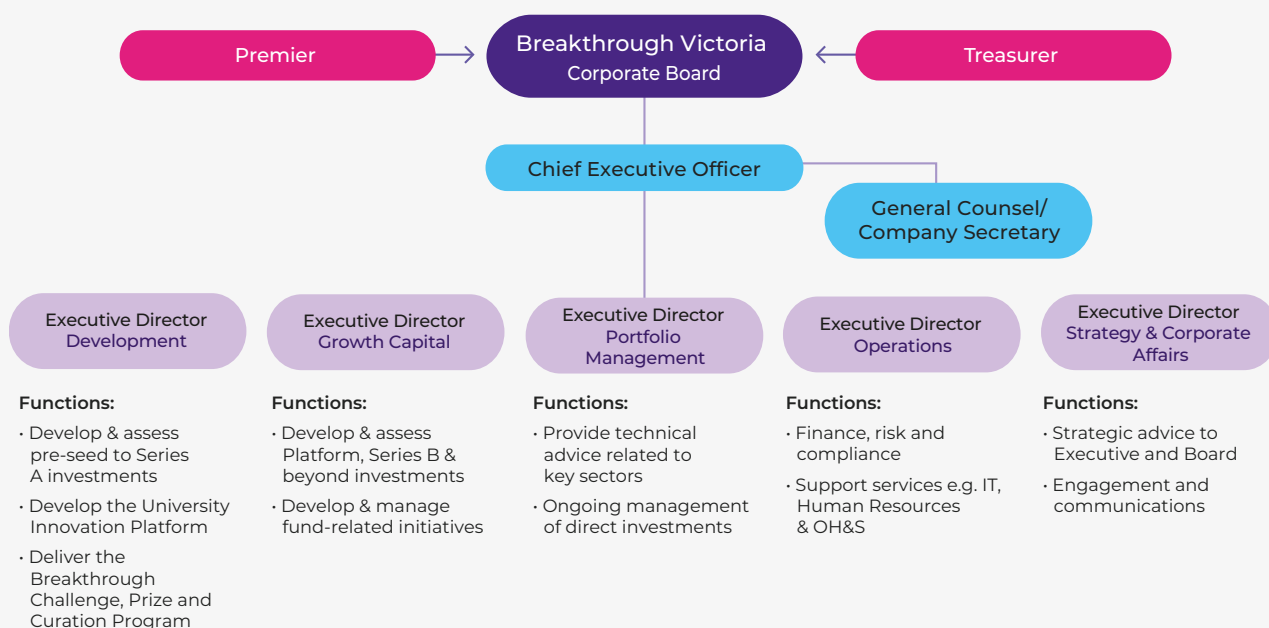
The **Operations team** is responsible for the company's finance and risk and compliance functions, along with other support services such as IT, human resources and OH&S.

The **Strategy and Corporate Affairs team** provides strategic advice to the executive and Board. The team is also responsible for developing and implementing the organisation's engagement and communication strategies and meeting the bulk of the company's reporting requirements including the investment plan, corporate plan and quarterly reports.

The company reports to the Breakthrough Victoria Board. The company's relevant minister is the Premier of Victoria and the sole shareholder is the Treasurer.

Our selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

Governance arrangements for the reporting period



4. Corporate Governance





Breakthrough Victoria is a proprietary company limited by shares under the *Corporations Act 2001*. The Treasurer of Victoria is the sole shareholder on behalf of the State of Victoria. Breakthrough Victoria is declared a State Owned company under the *State Owned Enterprises Act 1992*. The Premier of Victoria has portfolio responsibility for Breakthrough Victoria. Breakthrough Victoria is subject to the *Financial Management Act 1994* and the *Public Administration Act 2004*.

We are governed by our Constitution. Our purpose is to achieve the objectives outlined in the Statement of Principles, issued by the Premier of Victoria. As required by our Constitution, an annual Investment Plan is prepared and approved by the Premier that guides Breakthrough Victoria's investment activities over a three-year period.

Breakthrough Victoria interacts with a wide range of government entities, particularly the Department of Premier and Cabinet on portfolio matters and the Department of Treasury and Finance regarding the State Government's shareholding in the company.

The company has an independent Board of Directors (appointed by government) and a Chief Executive Officer, with a team of staff that work across a range of functions to ensure that Breakthrough Victoria can deliver on our mandate to make Victoria a global leader in innovation.

4. Corporate Governance

continued

4.1 Our Board

The directors leverage their diverse investment and sector experience to provide strategic advice and guidance to Breakthrough Victoria.



The Hon. John Brumby AO

Chair from 16 March 2021

The Hon. John Brumby AO is an experienced company and not-for-profit Board Director and is well known from his former roles as Premier of Victoria from 2007 to 2010 and Treasurer from 2000 to 2007.

John is Chair of a number of for-profit and not-for-profit organisations including Citywide Solutions Pty Ltd, BioCurate Pty Ltd, the Melbourne Convention and Exhibition Trust and In2Science. John was installed as Chancellor of La Trobe University in March 2019 and is also a Professor (Honorary) in the Faculty of Business and Economics at the University of Melbourne.

John was awarded an Order of Australia in 2017 for distinguished service to the Parliament of Victoria, to economic management and medical biotechnology innovation, to improved rural and regional infrastructure, and to the community. John is a Fellow of the Australian Institute of Company Directors (AICD) and a Graduate (Advanced) of the Australian Institute of Superannuation Trustees.



Sandra (Sam) Andersen

Director from 1 February 2022

Sam Andersen is an experienced non-executive director with a diverse background founded on deep experience in financial services, health and technology companies. Sam's executive industry experience covers financial services, digital technologies, healthcare, biotechnology, funds management, transport and agribusiness.

Sam is also Chair of the Australian Packaging Covenant Organisation Limited, Beyond Bank Australia Limited, Agriculture Victoria Services Pty Ltd, and the Audit and Risk Committee for Victoria Police, a director of Secure Electronic Registries Victoria, and a Trustee of the Melbourne Convention and Exhibition Trust.

Sam holds a Bachelor of Laws and is a Certified Practising Accountant, a Fellow of the AICD, and a Fellow of the Financial Services Institute of Australasia (FINSIA).



Andrew Bassat

Director from 16 March 2021 to 15 March 2022

Andrew Bassat is the CEO of SEEK Investments. Andrew co-founded SEEK in 1997 and was involved in all stages of the development of SEEK's business from its inception until stepping down as CEO in June 2021. Andrew remains a Non-Executive Director of SEEK. Andrew is also President of – St Kilda Football Club.

Prior to co-founding SEEK, Andrew was a management consultant with Booz Allen & Hamilton, and prior to that worked as a solicitor at Corrs Chambers Westgarth.

Andrew holds a Bachelor of Science (Computer Science) from the University of Melbourne, a Bachelor of Laws (Honours) from Monash University and a Master of Business Administration from Melbourne Business School.



Dr Amanda Caples

Director from 16 March 2021

Dr Amanda Caples is Victoria's Lead Scientist, connecting Victoria's science, technology and innovation capability with business needs and with government's economic development activities.

Following a career in the pharmaceutical industry and technology transfer, Amanda joined the Victorian Public Service in 2002 as the inaugural Director of Biotechnology. In this role Amanda was responsible for driving the growth of Victoria's biotechnology sector through successive strategic industry development plans, legislative reform and landmark initiatives across Victoria's research precincts. Since 2008, Amanda has led the development of Victoria's broader industry, science and innovation policy agenda leading to appointment as Lead Scientist in 2016.

Amanda is Chair of mRNA Victoria's Scientific Advisory Group; a Director of Agriculture Victoria Services Pty Ltd; and a member of the Rail Industry Development Advisory Committee. Amanda chairs the Victorian Quantum Technology Network to advance teaching and research in quantum technologies. Amanda is also Deputy Chair of Ivanhoe Grammar School.

Amanda holds a Bachelor of Science (Honours) and PhD in pharmacology from the University of Melbourne.



Susanne (Sue) Dahn

Director from 1 February 2022

Sue Dahn is an experienced investment specialist having founded the Melbourne private investment advisory practice of Pitcher Partners Investment Services in 1998 as well as serving as Investment Committee Chair in the superannuation and philanthropy sectors since 2000.

Sue acts as investment advisor to not-for-profits, educational institutions, membership associations and industry bodies. Sue has held governance positions on Boards for over 30 years. Sue is a graduate of the University of Melbourne, FINSIA, AICD and the Governance Institute.



Joshua (Josh) Funder

Director from 1 February 2022

Josh Funder is founder, CEO and Managing Director of Household Capital. Josh was a director of Celladon Inc. (NASDAQ: CLDN) and spent over a decade as a partner at GBS, Australia's largest venture funds management firm. Josh has served as chair and director of US and Australian companies including Peplin (ASX: PLI) and Spinifex Inc. and is a winner of the AVCAL early-stage investment award.

Josh previously worked at Infinity Inc (NASDAQ: INFI) in Boston, and at the Boston Consulting Group in San Francisco. Working with the Clinton Foundation HIV/AIDS Initiative, Josh helped successfully negotiate reduced prices for anti-retrovirals and initiate pharmaceutical supplies across eastern and southern Africa.

Josh is a co-founder and former chairman of Per Capita, an independent progressive policy think tank. Josh is also author of the novel, Watson's Pier (MUP 2015).

Josh earned a Bachelor of Science and Bachelor of Laws degree at the University of Melbourne, a Master of Laws degree at the London School of Economics and a Doctor of Philosophy in intellectual property for biotechnology from Oxford University where Josh studied as a Rhodes Scholar.

4. Corporate Governance

continued



Professor Jane den Hollander AO

Director from 16 March 2021

Professor Jane den Hollander AO was Vice-Chancellor of Deakin University from 2010-2019; Interim Vice-Chancellor, University of Western Australia from March - July 2020 and is currently the Interim Vice-Chancellor at Murdoch University.

In 2017, Jane received an Order of Australia for distinguished service to tertiary education; in 2018 Jane was awarded the Business Higher Education Round Table Ashley Goldsworthy medal for individual leadership and in 2019 was named in the Victorian Honour Roll for Women. In 2020 Jane received the Australian Financial Review 2020 Higher Education Lifetime Achievement Award.

Jane's other current Board appointments include Navitas Ltd (Perth), Lion's Eye Institute (Perth) and Centre for Stories (Perth).



Mark B. Johnson

Director from 1 February 2022

Mark Johnson is a strategic advisor, board member, and executive coach who has worked with Australian technology companies for over ten years both in the US and across Australia.

Having worked in and with the venture capital community in Silicon Valley for the last two decades, Mark has a track record of building businesses and teams. With experience from early-stage start-ups to Fortune 500 companies across the United States, Europe, and Asia Pacific, Mark brings a global perspective on business, entrepreneurship, and product development. Mark has served in both operating and director roles in technology companies from pre-funding stages through IPO and acquisition.

Mark was CEO of SkyPilot Networks (acquired by Trilliant), a carrier-class wireless broadband systems provider and an Associate Partner at Mobius Venture Capital (SOFTBANK) with a focus on mobile and software infrastructure. Prior to that, Mark directed product strategy at Preview Systems (acquired by Aladdin Knowledge Systems), a pioneer in the field of digital rights management and content distribution and spent ten years at Apple in a succession of technical, marketing, and international management roles building platform ecosystems.



Kee Wong

Director from 1 February 2022

Kee Wong is an entrepreneur, investor, advisor and non-executive director with a background and qualifications in engineering, information technology and business.

Kee's first business, e-Centric innovation was founded in 1999. The IT/Management consulting firm is still operating successfully in Australia, Malaysia and Singapore, serving large multinational enterprises and governments.

Since then, Kee has started (and invested in) a number of other businesses and today continue to invest in start-ups as well as established businesses globally (Australia, Malaysia, Singapore, China and US – in Silicon Valley).

Kee is a Board member of Carsales.com and InvoCare, both of which are ASX100 company listed on the Australian stock exchange.

Kee is also a Board member for the Australian Energy Market Operator (AEMO), the Walter and Eliza Hall Institute of Medical Research (WEHI), the Arts Centre Melbourne, the AICD and the Committee for Melbourne.



4.2 Financial Management Compliance Attestation Statement

I, Grant Dooley, on behalf of Breakthrough Victoria Pty Ltd, certify that Breakthrough Victoria Pty Ltd has no Material Compliance Deficiency with respect to the applicable Standing Directions made under the *Financial Management Act 1994* and Instructions.

Grant Dooley
Chief Executive Officer

5. Investment Activity

The background of the page is a complex digital illustration. A large, solid purple triangle points downwards from the top left. The rest of the background is a vibrant blue and purple space filled with a grid of glowing circles, some of which are connected by thin lines, creating a network-like structure. The overall effect is one of high-tech and digital connectivity.

Breakthrough Victoria's investment activity is dependent on the company's ability to originate, conduct diligence and effectively execute on investment opportunities that meet the company's strategic objectives to grow the innovation ecosystem, deliver strategic and social impact, create jobs and growth, and deliver sustainable financial returns over the long-term.

5.1 Investment pipeline

As Breakthrough Victoria's investment capability increased in resourcing and expertise over the reporting period, many proposals were considered and assessed across the company's five priority sectors. As of 30 June 2022, Breakthrough Victoria has originated or received 167 investment proposals for its consideration, seeking \$975.6 million in capital. Of these, five were approved for investment by the Board.

5.2 Investment decision process

Breakthrough Victoria has implemented a robust and efficient governance framework and investment process. This framework and process not only provides clear lines of responsibility for the Board and the Executive Team, but is also sufficiently agile to facilitate decision making in a fast-paced and competitive investment environment.

Central to the robustness and efficacy of this investment assessment process are the governance and coordination roles played by two committees: the Management Investment Committee and the Board Investment Committee.

This investment assessment process and associated governance model ensures that:

- Resources are allocated to assess proposals in detail when they have sufficient merit

- Investment proposals are assessed in a robust, efficient, and timely manner
- Breakthrough Victoria's executive and Board resources and time are used effectively.

5.3 Growing the ecosystem

Breakthrough Victoria works with founders, researchers, innovators, companies and other investors to commercialise breakthrough innovations. This creates jobs, emerging industries and increases the ecosystem of researchers, entrepreneurs and investors in Victoria.

5.3.1 Samsara Eco

Breakthrough Victoria has committed to invest in enviro-tech company Samsara Eco alongside CSIRO's innovation fund Main Sequence Ventures, Singaporean impact investor Temasek, W23 and the Clean Energy Finance Corporation.

Samsara Eco, a young company founded in partnership with the Australian National University, is using a library of proprietary enzymes to breakdown plastics in a matter of minutes, which is 10-100 times faster than competitors, and will produce a food grade, virgin-quality PET resin.

The investment will allow the company to establish a commercial scale plant in Victoria with a low carbon footprint for infinite recycling to end plastic pollution, an Australian first.



Grant Dooley (centre) at RMIT University for the announcement of the \$100 million Breakthrough Victoria – University Innovation Platform with (L-R): Distinguished Professor Milan Brandt (RMIT University), Professor Calum Drummond AO (Deputy Vice-Chancellor Research and Innovation and Vice-President, RMIT University), Mish Eastman (Deputy Vice-Chancellor Vocational Education and Vice-President, RMIT University), Tim Pallas MP (Treasurer), The Hon. Dan Andrews MP (Premier), and Professor Alec Cameron (Vice-Chancellor, RMIT University).

5. Investment Activity

continued



The University of Melbourne announced the creation of both the University of Melbourne Genesis Pre-Seed Fund with Breakthrough Victoria and Tin Alley Ventures with Tanarra Capital. L-R: Professor Duncan Maskell (Vice-Chancellor, The University of Melbourne), Anna Shave (Principal, Tanarra Capital), and Grant Dooley. Photo Credit: Peter Casamento

5.3.2 Breakthrough Victoria – University Innovation Platform

The \$100 million University Innovation Platform is Breakthrough Victoria's commitment to increase commercialisation of critical translational research across the state's universities over the next five years. Partnering universities will co-contribute on a 1:1 basis for any investments supported.

Under the platform model, Breakthrough Victoria will work with individual universities to co-design pre-seed funds to ensure that more breakthrough research moves from the lab and into the market. The platform will match university investment in agreed funds to support research and fund product concepts/prototypes that have strong commercial potential to transform industries.

The platform will also provide capability in terms of investment expertise to advise on commercialisation pathways and investment decision making. Researchers will also receive support to translate ideas into commercial opportunities.

5.3.3 The University of Melbourne Genesis Pre-Seed Fund

The University of Melbourne has partnered with Breakthrough Victoria to launch the \$15 million University of Melbourne Genesis Pre-Seed Fund. The fund will boost the commercial potential of critical research, helping to mobilise intellectual property and create new businesses and products.

The Genesis Pre-Seed Fund is designed to accelerate the effective commercialisation of translational research, such as the development of prototypes and proof-of-concept trials.

Breakthrough Victoria will match the university's \$7.5 million contribution over five years and work closely with the university to lend investment expertise to the existing capability of the university's commercialisation and knowledge and technology transfer teams.

The fund will give full support to academics to translate their research into commercial outcomes which will create jobs and contribute to the economy, while actively improving people's lives.

This is the first fund announced under the Breakthrough Victoria - University Innovation Platform.

5.4 Strategic and social impact

Breakthrough Victoria transforms innovations into commercially viable investments that have the potential to change the way we live and work. Breakthrough Victoria will aim to identify technologies and innovations that tackle complex environmental and social problems.

5.4.1 Parkville Biotech Incubator

Breakthrough Victoria announced the establishment of a new incubator in Parkville – worth a total of \$95 million – with CSL, the WEHI and the University of Melbourne to support life science start-ups and scale-ups.

This new incubator will have the capacity to host up to 40 biotech start-ups and provide unparalleled access to industry expertise, academic and clinical facilities and infrastructure, as well as essential capital.

It will be Australia's first and only incubator that is co-located with a leading biopharmaceutical company, providing the wrap-around support that start-ups need to translate Australian medical research into new treatments and therapies.

With a planned opening early in 2024, the incubator will be located in CSL's new Global Headquarters currently under construction in Elizabeth Street, Melbourne. The incubator will advance the Victorian biomedical ecosystem and boost Australia's commercialisation outputs.

5.5 Jobs and growth

Breakthrough Victoria creates flow on jobs beyond its direct investments. The companies we support partner with other companies to expand their presence into other markets, creating jobs and delivering economic growth.

5.5.1 Seer Medical

In May 2022, the Breakthrough Victoria Board approved an investment in Seer Medical, a Victorian medical technology company, to support its plan to become a global leader in epilepsy home monitoring and management.

Seer Medical has developed a technology that significantly increases the ability of neurologists to diagnose the incidence of epilepsy more rapidly and effectively in patients

The company provides access to home monitoring at scale, relieving hospital and clinician bottlenecks, fast-tracking treatment by up to a year, improving productivity of the health system, and saving lives.

The company has already monitored 4,300 Victorian patients at home, saving the Victorian healthcare system an estimated \$66 million on inpatient hospital costs.

Seer Medical is on a growth path to tackle the global epilepsy challenge. More than 65 million people worldwide suffer epilepsy, which is difficult to diagnose and complex to treat. Breakthrough Victoria's investment will support Seer Medical's plans to expand into the United States and United Kingdom markets.

Other investors in Seer Medical include Cochlear, EWM Group, SG Hiscock and Giant Leap Fund.



John Brumby and Grant Dooley take a tour of CSL's laboratories in Melbourne ahead of the announcement of the Biotech Incubator in Parkville.



The Hon. Ben Carroll (second from left) discusses Seer Medical's epilepsy diagnosis and monitoring device with Seer Medical's Chief Operating Officer George Kenley (far left), Kate Beck and John Brumby.

5. Investment Activity

continued

5.5.2 Kite Magnetics

In May 2022, the Breakthrough Victoria Board committed to invest in a new light-weight motor technology that could transform the transport and consumer sectors and support the global shift towards decarbonisation and electrification.

Developed at Monash University and spun out into Victorian company Kite Magnetics, the technology has the potential to lead the charge in electrifying motors that will be the smallest and lightest in the market. Ground-breaking materials science was used to develop the low weight, high efficiency electric motors composed of nanocrystalline magnetic material.

Kite Magnetics will use Breakthrough Victoria's investment to prototype their electric motors for aircraft in the near term, with plans to become a global leader in aviation electrification. The technology has potential application in other sectors. Kite Magnetics will explore opportunities to expand into the automotive, maritime and high-performance consumer markets over the longer term.

The investment demonstrates how Victoria's world-class research can be spun out into exciting early-stage start-ups with the potential to grow Victoria's advanced manufacturing sector, create jobs and contribute to the world's move towards a low carbon future.

5.6 Sustainable investment model

As an impact investor, we believe that commercial returns and broader social benefits can be generated in tandem. Being able to successfully generate stable commercial returns is critical to the long-term financial sustainability of Breakthrough Victoria.

Investing in pre-seed companies such as Kite Magnetics to growth stage companies such as Seer Medical is part of a balanced portfolio. This will act to balance the risks of investing in volatile but potentially high-return upstream innovation with the relative stability but lower returns of growth capital investments. This approach will smooth the variable returns across the portfolio and increase the amount of funds for reinvestment.

5.7 Performance

All Breakthrough Victoria employees are accountable for the company's overall performance, identifying areas of improvement and being able to demonstrate our capability and credibility to our stakeholders.

Our performance information is part of how we track our progress against our key objectives. Our long-term approach to investments means that certain measurable outcomes may take time.

The nature of our investments in start-up companies and early-stage technology raise the risk profile compared to other investments the government may make. Balancing a portfolio of risk is critical to managing the company's commercial returns.

Budget performance measures

At its establishment in 2020/21, Breakthrough Victoria had service delivery budget paper performance measures for: establishment of the Breakthrough Victoria entity and associated governance arrangements; and development of a long-term investment plan for the Breakthrough Victoria Fund¹. In 2021/22, the performance measure was: to have supported five companies or consortia over the 2021/22 financial year². Breakthrough Victoria met 100 per cent of these targets.

Victorian Budget Paper 3 (BP3) measure	Result	Target	Per cent of target achieved
State Budget Papers 2020/21	100%	100%	100%
Establishment of the Breakthrough Victoria entity and associated governance arrangements			
Development of a long-term investment plan for the Breakthrough Victoria Fund	100%	100%	100%
Victorian Budget Papers 2021/22	5	5	100%
Companies and consortia supported by the Breakthrough Victoria Fund			
<i>This measure represents the number of approved investment commitments made by the Board in companies or consortia in the given reporting period. Actual investment may follow on for several years.</i>			
<i>During the reporting period the Breakthrough Victoria Board approved/committed investment in:</i>			
<ul style="list-style-type: none"> • Parkville Biotech Incubator • University of Melbourne Genesis Pre-Seed Fund • Seer Medical • Samsara Eco • Kite Magnetics 			

1 Victorian Budget Paper Number 3, Service Delivery - 2020/21 under the Department of Premier and Cabinet (DPC).

2 Victorian Budget Paper Number 3, Service Delivery - 2021/22 under the Department of Premier and Cabinet (DPC).

5.7.1 Key performance highlights

Breakthrough Victoria has steadily built its team, functions, systems and governance since incorporation in March 2021.



Quarter on quarter growth in investment opportunities received, with 167 overall potential investment opportunities seeking \$975.6m



Established robust investment decision making processes

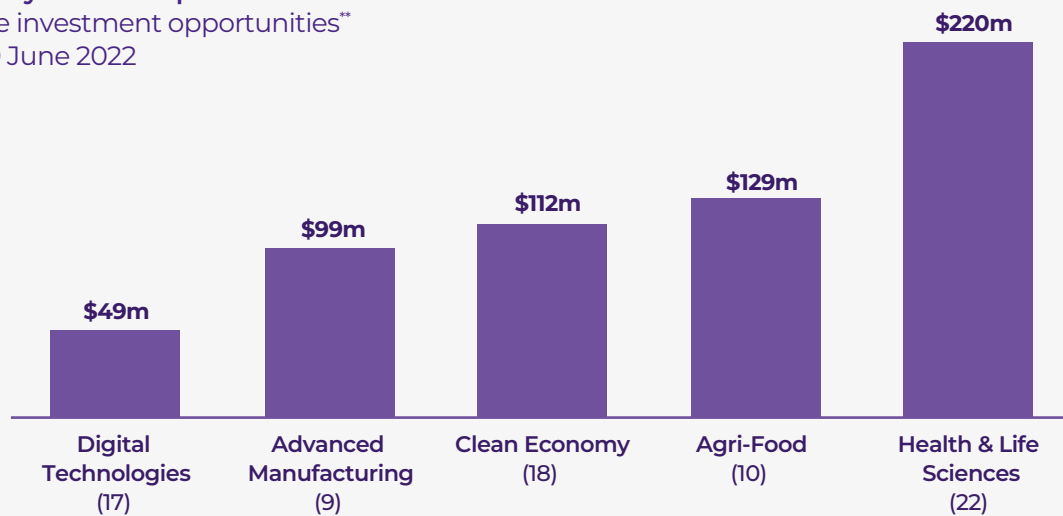


Nearly 4 out of 5 investment opportunities have been through assessment or due diligence



Five investment opportunities approved by our Board, meeting our BP3 target for 2021/22

All priority sectors* represented
in active investment opportunities**
as at 30 June 2022



* Investment opportunities that identified with more than one priority sector were reviewed and assigned to a primary priority sector.

** Includes recently identified investment opportunities awaiting assessment, opportunities under assessment/due diligence, those that have received Board approval and those contracted.



6. Financial Summary

Breakthrough Victoria was established on 16 March 2021 under the provisions of the *Corporations Act 2001* and is a State Owned Company under Part 5 of the *State Owned Enterprises Act 1992*.

Since the inception of Breakthrough Victoria Pty Ltd (the Company), the Department of Premier and Cabinet has provided funding to the Company to setup its operations, including hiring skilled staff, implementing operating systems, and starting investment activities.

The table below represents summary figures in the comprehensive income statement and balance sheet as presented in the full financial statements contained in section 8 of this Annual Report.

The results for the reporting period, from 16 March 2021 to 30 June 2022, indicate a net result of \$30.4 million. Given the company was being established during the reporting period, these results are not indicative of the future performance of the business. During the reporting period the Board approved \$55.0 million of investments which had not been contracted as at 30 June 2022.

Summary of financial results

	2022 \$'000
Income from transactions	60,123
Expenses from transactions	29,697
Net result from transactions	30,426
Comprehensive result	30,426
Total assets	107,112
Total liabilities	26,686
Net assets	80,426

Subsequent events

Subsequent to the balance sheet date and before the signing of this report, the Company received on the 8 September 2022 and 21 October 2022, funding from the Department of Premier and Cabinet of \$100.0 million and \$200.0 million respectively. This funding was comprised of \$75.0 million of grant income and \$225.0 million as Contributed Capital.

As part of its normal business investment operations, the Company undertook the following activities:

- Paid \$20.0 million in respect to the grant expenditure, disclosed at Note 3.2
- Approved one investment totalling \$0.6 million, that is not yet contracted or invested
- Contracted into two investments totalling \$1.2 million
- Contracted and invested into five investments totalling \$81.2 million
- No further material events affecting the business have occurred between the balance sheet date and the date of this report.

7. Directors' Report

The directors present their report together with the annual financial report of Breakthrough Victoria, for the period 16 March 2021 to 30 June 2022 and the independent auditor's report thereon.

Directors

The directors of Breakthrough Victoria at any time during the reporting period were:

- The Hon. John Brumby AO
- Ms Sandra Andersen
- Mr Andrew Bassat
- Dr Amanda Caples
- Ms Susanne Dahn
- Mr Joshua Funder
- Professor Jane den Hollander AO
- Mr Mark Johnson
- Mr Kee Wong

Director terms on the Board are reported in the table below.

Company Secretary

The Company Secretary for Breakthrough Victoria at any time during the reporting period was:

- Mr Ed Bailey
- Ms Jan Peric
- Ms Rosemary Peavey (current)

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 Breakthrough Victoria during the reporting period were:

Board and Board Committee Membership and Attendance March 2021 - 30 June 2022

Board	Appointment date	No. of meetings eligible to attend	No. of meetings attended by directors
John Brumby AO (Chair)	16-Mar-21	16	16
Jane den Hollander AO	16-Mar-21	16	15
Amanda Caples	16-Mar-21	16	16
Andrew Bassat	16-Mar-21	12	8
Sandra Andersen	1-Feb-22	6	6
Susanne Dahn	1-Feb-22	6	6
Joshua Funder	1-Feb-22	6	5
Kee Wong	1-Feb-22	6	5
Mark Johnson	1-Feb-22	6	6

7. Directors' Report

continued

Board Investment Committee	No. of meetings held	No. of meetings attended by Board Directors
Susanne Dahn (Chair)	5	5
John Brumby AO	5	5
Jane den Hollander AO	5	4
Amanda Caples	5	5
Sandra Andersen	5	5
Joshua Funder	5	4
Kee Wong	5	3
Mark Johnson	5	5

Finance, Audit & Risk Committee	No. of meetings held	No. of meetings attended by Board Directors
Sandra Andersen (Chair)	3	3
John Brumby AO	3	3
Amanda Caples	3	3

Nominations & Remuneration Committee	No. of meetings held	No. of meetings attended by Board Directors
John Brumby AO (Chair)	1	1
Amanda Caples	1	1
Jane den Hollander AO	1	1

Principal activities

The principal activities during the reporting period of Breakthrough Victoria were to:

- Invest for impact and develop the commercial potential of innovations across five priority sectors of advanced manufacturing, agri-food, clean economy, digital technology, and health and life sciences
- Forge partnerships with investors, companies, start-ups and research institutions, governments and companies to commercialise and accelerate ideas and innovations to market
- Invest in innovation to generate jobs, increase the rate of commercialisation, deliver financial returns and generate economic growth and prosperity in Victoria.

Financial performance

A detailed review of financial results is provided in section 8. The net result for Breakthrough Victoria for the reporting period was \$30.4 million.

Operational performance

A comprehensive review of operations is provided in section 5.

Dividends

The directors have neither declared nor recommended a dividend for the reporting period ended 30 June 2022. No dividend has been paid during the reporting period ended 30 June 2022.

Impact of legislation and other external requirements

In addition to the *Corporations Act 2001*, Breakthrough Victoria is required to comply with additional legislation, detailed in section 9. This legislative framework reflects Breakthrough Victoria as a State Owned entity of Victoria.

Environmental legislation

Breakthrough Victoria's 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 in Breakthrough Victoria. The sole beneficial shareholder is the Treasurer of the State of Victoria.

Indemnification and insurance of officers and auditors

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

Non-audit services

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

Proceedings on behalf of the Company

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

Auditor's independence declaration

The auditor's independence declaration is set out in section 8 of this report and forms part of the financial report for the reporting period.

This Director's Report is made in accordance with a resolution of the directors.



The Hon. John Brumby AO
Director
9 December 2022



Sandra Andersen
Director
9 December 2022

8. Financial Report

Annual Financial Report for reporting period 16 March 2021 to 30 June 2022

Breakthrough Victoria Pty Ltd has presented its audited general purpose annual financial report for the reporting period 16 March 2021 to 30 June 2022 in the following structure to provide users with the information about Breakthrough Victoria's stewardship of resources entrusted to it.

Directors' declaration

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

1. The annual financial report and notes are in accordance with the *Corporations Act 2001*, including:
 - a. giving a true and fair view of the Company's financial position as at 30 June 2022 and of its performance for the reporting period ended 30 June 2022, and
 - b. complying with the Australian Accounting Standards (including the Australian Standards of 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 make any particulars included in the annual financial report misleading or inaccurate.

We authorise the attached annual financial report for issue on 9 December 2022.



The Hon. John Brumby AO
Director
9 December 2022



Sandra Andersen
Director
9 December 2022

Independent Auditor's Report

To the Board of Breakthrough Victoria Pty Ltd

Opinion	<p>I have audited the financial report of Breakthrough Victoria Pty Ltd (the company) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2022• comprehensive operating statement for the period 16 March 2021 to 30 June 2022• statement of changes in equity for the period 16 March 2021 to 30 June 2022• cash flow statement for the period 16 March 2021 to 30 June 2022• notes to the financial statements, including significant accounting policies• declaration by the Chair, Chief Executive Officer and Chief Financial Officer. <p>In my opinion, the financial report is in accordance with Part 7 of the <i>Financial Management Act 1994</i> and the <i>Corporations Act 2001</i> including:</p> <ul style="list-style-type: none">• presenting fairly, in all material respects, the financial position of the company as at 30 June 2022 and its financial performance and cash flows for the period 16 March 2021 to 30 June 2022• complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.
Basis for opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the company in accordance with the auditor independence requirements of the <i>Corporations Act 2001</i> and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (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.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the company is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, the <i>Financial Management Act 1994</i> and the <i>Corporations Act 2001</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the company'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.</p>

**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 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's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board's 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'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 to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board 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 Board 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.

Auditor-General's Independence Declaration

To the Board, Breakthrough Victoria 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 Breakthrough Victoria Pty Ltd for the period 16 March 2021 to 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the 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
14 December 2022



Timothy Maxfield
as delegate for the Auditor-General of Victoria

Financial Report Contents

Breakthrough Victoria presents its audited general purpose financial statements for the period from 16 March 2021 to 30 June 2022 and provides users with the information about the organisation's stewardship of resources entrusted to it. It is presented in the following structure:

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Comprehensive Operating Statement

For the period from 16 March 2021 to 30 June 2022

	Note	2022 \$'000
Continuing operations		
Income from transactions		
Grant income	2.1	60,000
Other income		123
Total income from transactions		60,123
Expenses from Transactions		
Employee expenses	3.3	3,662
Administration expense	3.1	5,773
Depreciation and amortisation		262
Grant expenses	3.2	20,000
Total expenses from transactions		29,697
Net result		30,426
Comprehensive result		30,426

Breakthrough Victoria has no other comprehensive income to report for the period ended 30 June 2022.

The Comprehensive Operating Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Balance Sheet

As at 30 June 2022

	Note	2022 \$'000
Assets		
Financial assets		
Cash and cash equivalents	4.1	103,506
Investments	4.2	-
Total financial assets		103,506
Non-financial assets		
Prepayments		4
Furniture, fittings and equipment	4.3	514
Right-of-use assets	4.4	812
Intangible assets	4.5	197
Statutory receivables		2,079
Total non-financial assets		3,606
Total assets		107,112
Liabilities		
Payables	5.1	25,617
Provisions	3.3	74
Lease liability	5.2	995
Total liabilities		26,686
Net assets		80,426
Equity		
Issued shares		-
Contributed capital		50,000
Retained earnings		30,426
Net worth		80,426

The Balance Sheet should be read in conjunction with the accompanying Notes to the Financial Statements.

Statement of Changes in Equity

For the period 16 March 2021 to 30 June 2022

	Note	Contributed capital \$'000	Accumulated surplus \$'000	2022 \$'000
Balance at 30 June 2022				
Net result for the year		-	30,426	30,426
Contributed capital		50,000	-	50,000
Balance at 30 June 2022		50,000	30,426	80,426

The Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Financial Statements.

Cash Flow Statement

For the period 16 March 2021 to 30 June 2022

	Note	2022 \$'000
Cash flows from/(used in) operating activities		
Receipts from government	2.1	60,000
Interest received		123
Goods and services tax recovered from the ATO		484
Payments to suppliers and employees		(6,416)
Net cash flows from/(used in) operating activities	4.1(a)	54,191
Cash flows from/(used in) investing activities		
Acquisition of property, plant and equipment		(488)
Acquisition of intangibles		(197)
Acquisition of investments		-
Net cash flows from/(used in) investing activities		(685)
Cash flows from/(used in) financing activities		
Contributed capital		50,000
Repayment of principal portion of lease liabilities		-
Net cash flows from/(used in) financing activities		50,000
Net increase/(decrease) in cash and cash equivalents		103,506
Cash and cash equivalents at beginning of reporting period		-
Cash and equivalents at end of the reporting period	4.1	103,506

The Cash flow Statement should be read in conjunction with the accompanying Notes to the Financial Statements.

Notes to the Financial Statements

1. About this report

Breakthrough Victoria Pty Ltd was established to commercialise and accelerate ideas, research and innovations from lab to market. On behalf of the Victorian Government, Breakthrough Victoria has a mandate to invest for impact to deliver commercial returns, jobs and economic growth to the State.

Pursuant to section 3, of the *Financial Management Act 1994* (FMA), the Treasurer of Victoria declared that Breakthrough Victoria is a body to which Part 7 of the FMA applies and came into effect on 22 April 2021.

The financial report covers Breakthrough Victoria (the Company) as an individual reporting entity. The Company was established on 16 March 2021 under the provisions of the *Corporations Act 2001* and is a State Owned Company under Part 5 of the *State Owned Enterprises Act 1992*. This financial report is for the period from 16 March 2021 to 30 June 2022.

The Company's principal address is Mezzanine level, 271 Collins Street, Melbourne, Victoria, 3000.

1.1 Basis of preparation

The financial report has been prepared on an accrual basis and is based on historical costs and does not take into account changing money values, except for employee benefits liabilities which are included at present value, and investments and furniture, fittings and equipment which are included at fair value. Historical cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies are selected and applied to the annual financial report 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 and financial consequences of events are reported.

The functional and presentation currency of the Company is the Australian dollar. Amounts are rounded and expressed to the nearest thousand dollars in accordance with Ministerial Directions under the *Financial Management Act 1994*, unless otherwise stated.

In the application of Australian Accounting Standards, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results in future reporting periods may differ from the estimates and assumptions made in this financial report.

Revisions to accounting estimates are recognised in the reporting period 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 this financial report.

The Company is exempt from Federal income taxation under section 24AM of the *Income Tax Assessment Act 1936* and 1997 (as amended). The Company is liable to pay Fringe Benefits Taxation (FBT) and Goods and Services Taxation (GST). Revenue and expenses are brought to account exclusive of GST. Receivables and payables are stated inclusive of GST. The amounts of GST recoverable from or payable to the Australian Taxation Office are included as part of non-trade receivables and statutory payables. Cash flows which include GST are included in the Cash Flow Statement on a gross basis in accordance with AASB 107 *Statement of Cash Flows*.

1.2 Statement of compliance

The financial report is a general purpose financial report prepared on an accrual basis in accordance with the *Corporations Act 2001*, *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS), which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

For the purposes of compliance with the accounting standards, the Assistant Treasurer has determined that the Company is a not-for-profit entity. The Australian Accounting Standards include requirements that apply specifically to not-for-profit entities that are not consistent with the International Financial Reporting Standard requirements. Consequently, where appropriate, the Company applies those paragraphs. The financial report also complies with relevant Financial Reporting Directions approved by the Assistant Treasurer.

The Company received relief under subsection 340(1) of the *Corporations Act 2001* to extend the due date to lodge its annual report with Australian Securities & Investments Commission from 30 November 2022 to 31 December 2022.

The financial report was authorised for issue by the Board of Directors on 9 December 2022.

2. Summary of income that funds the delivery of our services

Introduction to this section	This section contains the following disclosure:
<p>Breakthrough Victoria was established to invest for impact and develop the commercial potential of innovations.</p> <p>The Company forges long-term partnerships with investors, companies, start-ups and research organisations to commercialise innovations, create jobs in emerging industries and generate economic growth in Victoria.</p> <p>This section analyses the financial performance of the Company in delivering on its mandate and the income it receives to fund its operations.</p>	2.1 Grant income

2.1 Grant income

	Note	2022 \$'000
Grants		
Grants received from Department of Premier and Cabinet		60,000
Balance at 30 June 2022		60,000

Income is recognised to the extent it is probable the economic benefits will flow to the Company and the income can be reliably measured. Where applicable, amounts disclosed as income are net of duties and taxes.

Breakthrough Victoria has accounted for funding received from Department of Premier and Cabinet as either contributed capital or grant income in its financial statements.

The Company's grant income from the Department of Premier and Cabinet is recognised in accordance with AASB 1058 *Income of Not-for-Profit Entities*. Income from grants have been earned under arrangements that are either not enforceable and/or linked to sufficiently specific performance obligations.

Income from grants is recognised when the Company has an unconditional right to receive cash which usually coincides with the receipt of cash.

Notes to the Financial Statements

continued

3. The cost of delivering our services

Introduction to this section

This section provides details of expenses incurred by Breakthrough Victoria to support its day-to-day operating activities.

This section contains the following disclosure:

- 3.1 Administration expenses
- 3.2 Grant expenses
- 3.3 Employee benefit expenses

3.1 Administration expenses

Administration expenses generally represent the day-to-day running costs incurred in normal operations and are recognised as an expense in the reporting period in which they are incurred.

	Note	2022 \$'000
Professional services		4,357
Information services		488
Communication expenses		213
Insurance		211
Interest expense		28
Victorian Auditor-General's financial audit fees		30
Other operating		446
Total administration expenses		5,773

No remuneration was paid to the Victorian Auditor-General's Office for any other services.

3.2 Grant expenses

	Note	2022 \$'000
Specific purpose grants		20,000
Total grant expenses		20,000

Grants paid as specific purpose grants are paid for a particular purpose and/or have conditions attached regarding their use. Grant expenses are recognised in the reporting period in which they are paid or payable.

3.3 Employee benefit expenses

(a) Employee benefits in the comprehensive operating statement

	Note	2022 \$'000
Employee benefits		
Salaries and on-costs		3,454
Defined contribution superannuation expenses		105
Leave entitlements		103
Total employee benefit expenses		3,662

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

Employees of the Company are entitled to receive superannuation benefits. Breakthrough Victoria contributes superannuation to defined contribution plans and is obligated to pay superannuation contributions as they fall due.

There were no superannuation contributions outstanding at 30 June 2022.

(b) Employee benefits in the balance sheet

A provision is made for employee benefits accruing in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	Note	2022 \$'000
Current provisions		
Annual leave and on-costs		
Unconditional and expected to be settled within 12 months		74
Unconditional and expected to be settled after 12 months		-
Total provision for employee benefits		74

(c) Reconciliation of movement in provision

	Note	2022 \$'000
Opening balance		-
Additional provisions recognised		74
Reductions arising from payments/other sacrifices of future economic benefits		-
Closing balance		74
Current		74
Non-current		-
Total provision		74

Wages and salaries, annual leave and oncosts are recognised as part of the employee benefit provision as current liabilities as the Company does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Company 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 an unconditional current liability and measured at the undiscounted amount expected to be paid, as the Company 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.

No provision has been made for long service leave in the reporting period, due to there being a low probability of any employees becoming entitled to long service leave as employment tenures at the end of the reporting period were less than one year.

Notes to the Financial Statements

continued

4. Key assets available to support our delivery

Introduction to this section	This section contains the following disclosure:
This section details the key assets utilised in fulfilling Breakthrough Victoria's objectives and conducting its operations.	4.1 Cash and cash equivalents 4.2 Investments 4.3 Furniture, fittings and equipment 4.4 Right-of-use assets 4.5 Intangible assets

4.1 Cash and cash equivalents

	Note	2022 \$'000
Current		
Cash and cash equivalents		103,506
Total cash and cash equivalents		103,506

(a) Reconciliation of net result to the cash flow from operating activities

	Note	2022 \$'000
Net result		30,426
Depreciation on furniture, fittings and equipment		262
Accrued interest expense		28
Changes in operating assets and liabilities		
(Increase)/decrease in receivables		(2,079)
(Increase)/decrease in prepayments		(4)
Increase/(decrease) in payables		25,484
Increase/(decrease) in provisions		74
Net cash flows from/(used in) operating activities		54,191

4.2 Investments

(a) Investment framework

Breakthrough Victoria's investment activity is undertaken pursuant to the commercial and ethical standards and principles described in the Company's Constitution and Statement of Principles.

Breakthrough Victoria is responsible for setting its investment objectives after considering such matters as capital needs, income and expenditure requirements, future projections of assets and liabilities and risk preferences. The investment strategy is documented in a detailed Investment Plan which is approved by the Premier, as the Responsible Minister.

(b) Breakthrough Victoria's investment portfolio

Breakthrough Victoria has determined that all assets, except for prepaid expenses, statutory receivables and furniture, fittings and equipment, are financial assets and are valued at fair value in the Balance Sheet.

Financial assets are designated at fair value through profit or loss in accordance with FRD 114 *Financial Instruments*. Initial recognition is at fair value in the Balance Sheet with any subsequent changes in fair value recognised in the Comprehensive Operating Statement.

Details of fair value for the different types of financial and non-financial assets are listed below:

- Cash on hand, cash at bank, cash in transit and short-term money market funds are carried at the face value which approximates to their fair value.
- Receivables are recognised and measured at fair value being the undisputed recoverable amounts between counterparties.
- Equities and unit trusts listed on an organised financial market are initially recognised at cost and subsequently fair value is taken as the quoted bid price of the instrument at the Balance Sheet date.
- Unlisted investment are initially recognised at cost and the subsequent fair value is recorded based on a valuation. Valuations are undertaken consistent with the APRA Prudential Practice Guide SPG531 *Valuations* and *International Private Equity and Venture Capital Valuation Guidelines* recommended by the Australian Investment Council. Judgement is applied by selecting some of the variables applied in arriving at a valuation.

Refer to Note 6.3 for fair value details of the financial instruments.

All purchases and sales of financial assets that require delivery of the asset within the timeframe established by regulation, market convention or contractual agreement are recognised at trade date or the contractually agreed milestone date, being the date on which the Company commits to buy or sell the asset.

Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership.

Investments are classified as current and non-current in accordance with maturity dates. Investments that are due to mature, expire or be realised within 12 months of the balance sheet date are classified as current investments. All equity investments are classified as non-current.

At the end of the reporting period, the Company did not hold any investments. Refer to Note 7.2 Subsequent Events for further details of investment transaction that occurred between the balance sheet date and the date of this report.

4.3 Furniture, fittings and equipment

	Gross carrying amount 2022 \$'000	Accumulated depreciation 2022 \$'000	Net carrying amount 2022 \$'000
Computer equipment	272	(65)	207
Furniture and fittings	133	(9)	124
Leasehold improvements	216	(33)	183
Total amount	621	(107)	514

Notes to the Financial Statements

continued

	Computer equipment \$'000	Furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
2022				
Carrying amount at start of period	-	-	-	-
Additions	272	133	216	621
Disposals	-	-	-	-
Depreciation/amortisation expense	(65)	(9)	(33)	(107)
Carrying amount at end of period	207	124	183	514

Furniture, fittings and equipment

At initial recognition, furniture, fittings, and equipment are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

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

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 the reporting period are below:

Asset class	Useful life
Computer equipment	2 to 4 years
Furniture and fittings	10 years
Leasehold improvements	5 years

4.4 Right-of-use assets

	Gross carrying amount 2022 \$'000	Accumulated depreciation 2022 \$'000	Net carrying amount 2022 \$'000
Right-of-Use (ROU) assets	967	(155)	812
Net carrying amount	967	(155)	812

	ROU leases \$'000	Total \$'000
2022		
Carrying amount at start of period	-	-
Additions	967	967
Disposals	-	-
Depreciation/amortisation expense	(155)	(155)
Carrying amount at end of period	812	812

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

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

The right-of-use assets depreciate on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Refer to Note 5.2 for further lease details.

4.5 Intangible assets

	Total \$'000
At Cost	-
Work-in-progress	197
Accumulated amortisation	-
Total intangible assets	197
Movement in carrying amounts	
Opening balance at start of period	-
Additions	-
Work-in-progress	197
Amortisation expense	-
Carrying amount at end of period	197

At balance date the Company has work-in-progress intangible asset as a result of developing its website. The development costs associated with this project will be capitalised as there will be benefits arising from its development and these benefits are expected to be realised over extended periods of time. Currently costs are accumulating as part of work-in-progress and will be capitalised on completion, and amortisation will commence.

Notes to the Financial Statements

continued

5. Other assets and liabilities

Introduction to this section	This section contains the following disclosure:
This section includes other assets and liabilities that are employed by Breakthrough Victoria to support its day-to-day operating activities.	5.1 Payables 5.2 Lease liability

5.1 Payables

	Note	2022 \$'000
Current		
Contractual		
Supplies and services		146
Other payables and accrued expenses		24,937
Statutory		
Goods and Services Tax and other taxes		534
Total payables		25,617

Payables comprise of:

- Contractual payables (such as accounts payable) are classified as financial instruments and are measured at amortised cost which equates as fair value. Accounts payable represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid.
- Statutory payables (such as goods and services tax and fringe benefits tax payable) are recognised and measured similarly to contractual payables but are not classified as financial instruments and are not included in the category of financial liabilities because they do not arise from contracts.

No valuation techniques were used in the fair value measurement of payables. The inputs include the undisputed amounts between counterparties.

Refer to Note 6.2 for the nature and extent of risks arising from contractual payables.

5.2 Lease liability

(a) Lease liabilities for right-of-use assets

	Note	2022 \$'000
Current		201
Non-current		794
Total lease liability		995

The Company leased premises for the use of office space. The lease contract is for a fixed 4-year period with an option to extend for one year after that date. The lease contract specifies base rent of \$206,750 per annum, with an annual incremental increase on each anniversary of the commencement date.

At the commencement of the lease term, leases are initially recognised as assets and liabilities at an amount 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 Comprehensive Operating Statement.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the Department of Treasury and Finance incremental borrowing rate. At subsequent measurement, the lease liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in fixed payments.

Leases are classified as financial instruments. All interest-bearing leases are initially recognised at fair value of the consideration received less directly attributable transaction costs, and subsequently measured at amortised costs using the effective interest method.

As agreed with the lessor, there were no cash repayments of the lease during the reporting period, and there were no defaults and breaches of any leases.

(b) Amounts recognised in the Comprehensive Operating Statement

	2022 \$'000
Interest expense on lease liabilities	28
Total amount recognised in the comprehensive operating statement	28

Interest expense represents costs incurred in connection with borrowings. It includes the interest component of finance lease repayments. Interest expense is recognised in the period in which it is incurred.

(c) Amounts recognised in the Cash Flow Statement

There were no amounts recognised in the Cash Flow Statement during the reporting period, as there have been no cash repayments of the principal portion of lease liabilities, as agreed with the lessor.

Notes to the Financial Statements

continued

6. Risks and valuation judgements

Introduction to this section	This section contains the following disclosure:
This section provides information on the sources and risks Breakthrough Victoria is exposed to in its operations, including disclosure of balances that are financial instruments and fair values or require valuation judgements.	<ul style="list-style-type: none">6.1 Financial instruments6.2 Financial risk management6.3 Fair values

Breakthrough Victoria is exposed to risk from its activities and from 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, and those items that are contingent in nature or require a higher level of judgement to be applied, which for the Company relate mainly to fair value determination.

6.1 Financial instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Company's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

(a) Categories of financial instruments

(i) Financial assets at amortised cost

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

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

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

The Company recognises the following assets in this category:

- cash and deposits
- receivables (excluding statutory receivables)
- certain debt securities

(ii) Financial liabilities at amortised cost

Financial liabilities are initially recognised at amortised cost 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 Company recognises the following liabilities in this category:

- payables (excluding statutory payables)
- lease liabilities

(iii) Financial assets and financial liabilities at fair value through net result

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or the contractually agreed milestone date, being the date on which the Company commits to buy or sell the asset, 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 net result 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 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 Company recognises certain unlisted equity instruments and debt securities as fair value through net result in this category.

(iv) Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

The below table shows the categorisation of the Company's financial assets and financial liabilities:

	Financial assets / (liabilities) at amortised cost \$'000	Financial assets / (liabilities) at fair value through profit / loss \$'000	Total \$'000
Contractual financial assets			
Cash and deposits	103,506	-	103,506
Investment	-	-	-
Total contractual financial assets	103,506	-	103,506
Contractual financial liabilities			
Payables ^(a)	25,083	-	25,083
Lease liabilities	995	-	995
Total contractual financial liabilities	26,078	-	26,078

Notes:

(a) The carrying amounts disclosed here exclude statutory amounts.

There were no net holding gain/(loss) on financial instruments during the reporting period.

6.2 Financial risk management

The Company's operating activities expose it to a variety of financial risks including credit risk, liquidity risk, interest rate risk, foreign currency risk and equity price risk. 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 6.3.

(a) Financial instruments: Credit risk

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

Credit risk associated with the Company's contractual financial assets is minimal because it is the Company's policy to only deal with entities with high credit ratings and to obtain sufficient collateral or credit enhancements, where appropriate. The Company does not have a material credit risk exposure to any single debtor or group of debtors. In addition, the Company does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are fixed interest, except for cash and deposits, which are mainly cash at bank. 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 Company 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 Company has no material credit risk on its financial assets at balance sheet date.

Notes to the Financial Statements

continued

(b) Financial instruments: liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due.

The Company operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Company is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet. The Company manages its liquidity risk through monitoring future cash flows, maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations, careful maturity planning of its financial obligations based on forecasts of future cash flows.

The Company's exposure to liquidity risk is deemed insignificant based on a current assessment of risk. Cash for unexpected events is generally sourced from cash and cash equivalents.

(c) Financial instruments: market risk

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

(i) Equity price risk

Exposure to equity price risk arises from investments held at fair value through profit and loss.

The Company has no equity price risk exposure as at balance sheet date.

(ii) Interest rate risk

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

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

Management has concluded for cash at bank, it is appropriate for this to be left at a floating rate without necessarily exposing the Company to significant risk.

The Company has no material interest rate risk on its financial assets at balance sheet date.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Company's sensitivity to interest rate risk are set out as follows:

	Weighted average interest rate %	Carrying amount \$'000	Fixed interest rate \$'000	Variable interest rate \$'000	Non-interest bearing \$'000
Financial assets					
Cash at bank	0.31%	103,506	-	103,506	-
Investments	-	-	-	-	-
Total financial assets		103,506	-	103,506	-
Financial liabilities					
Payables ^(a)	-	25,083	-	-	25,083
Lease liabilities	3.80%	995	995	-	-
Total financial liabilities		26,078	995	-	25,083

Notes:

(a) The carrying amounts disclosed here exclude statutory amounts.

Interest rate risk sensitivity of a 1.0% movement in interest rates with all other variables held constant on the Company's net result.

	Carrying amount \$'000	-100 basis points Net result	+100 basis points Net result
Financial assets			
Cash and deposits	103,506	(1,035)	1,035
Total impact	103,506	(1,035)	1,035

(iii) Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Transactions denominated in foreign currency are converted at exchange rates on the dates of the respective transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities measured at fair value are recognised in the Comprehensive Operating Statement net result.

Foreign monetary assets and liabilities existing at the end of the reporting period are translated at exchange rates at the balance sheet date. Unrealised gains and losses are reflected in the Comprehensive Operating Statement in the year in which they are earned or incurred.

The Company had no foreign monetary or foreign non monetary items existing at the end of the reporting period for translation.

6.3 Fair values

Fair value determination requires judgement and the use of assumptions. Changes to assumptions could have a material impact on the results and financial position of the Company.

(a) Measurement of fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes. The Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities in accordance with the requirements of AASB 13 *Fair Value Measurement*.

In determining fair value, 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 input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - valuation techniques for which the input that is significant to the fair value measurement is unobservable

The Company currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the reporting period. These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits	Payables
Receivables	<ul style="list-style-type: none"> • For supplies and services • Amounts payable to Department of Premier and Cabinet • Other payables
<ul style="list-style-type: none"> • Accrued investment income • Other receivables • Other financial assets 	Borrowings <ul style="list-style-type: none"> • Lease liabilities

Notes to the Financial Statements

continued

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Company determines whether transfers have occurred between the different levels in the fair value hierarchy by reviewing the categorisation at the end of each financial year. There have been no transfers between levels during the reporting period.

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets					
Cash and deposits	4.1	103,506	-	-	103,506
Investments		-	-	-	-
Total financial assets		103,506	-	-	103,506
Financial liabilities					
Payables ^(a)	5.1	-	25,083	-	25,083
Lease liabilities	5.2	-	-	995	995
Total financial liabilities		-	25,083	995	26,078

Notes:

(a) The carrying amounts disclosed here exclude statutory amounts.

During the reporting period there were no transfers from Level 2 to Level 3 based on management's reassessment of the significance of unobservable valuation inputs that had been used to derive the fair value of those investments.

7. Other disclosures

Introduction to this section This section includes additional material disclosures required by accounting standards for the understanding of this financial report.	This section contains the following disclosure: 7.1 Commitments and contingencies 7.2 Subsequent events 7.3 Responsible persons 7.4 Remuneration of executive officers 7.5 Related parties 7.6 Other accounting policies 7.7 New accounting standards and interpretations
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7.1 Commitments and contingencies

Commitments include operating and capital commitments and are disclosed at their nominal value and are inclusive of GST.

(a) Capital commitments

The Company has no uncalled capital commitments as at 30 June 2022.

(b) Operating commitments

The Company has uncalled operating commitments of \$5.0 million relating to grant expenses as at 30 June 2022.

(c) Contingencies

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and contingent liabilities are presented inclusive of GST.

The Company has no known contingent assets or contingent liabilities as at 30 June 2022. Due to the process of its investment operations though, the Company had Board approved investments which had not been contracted as at 30 June 2022 in the amount of \$55.0 million, and which were still subject to further due diligence processes.

7.2 Subsequent events

Subsequent to the balance sheet date and before the signing of this report, the Company received on the 8 September 2022 and 21 October 2022, funding from the Department of Premier and Cabinet of \$100.00 million and \$200.0 million respectively. This funding was comprised of \$75.0 million of grant income and \$225.0 million as Contributed Capital.

As part of its normal business investment operations, the Company undertook the following activities:

- Paid \$20.0 million in respect to the grant expenditure, disclosed at Note 3.2
- Approved one investment totalling \$0.6 million, that is not yet contracted or invested
- Contracted into two investments totalling \$1.2 million
- Contracted and invested into five investments totalling \$81.2 million

No further material events affecting the Company have occurred between the balance sheet date and the date of this report.

Notes to the Financial Statements

continued

7.3 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made with regard to responsible persons for the reporting period.

(a) Responsible persons

The names of persons who were responsible persons at any time during the reporting period are as follows:

Position	Responsible Person	Period
Responsible Minister	The Hon. Daniel Andrews MP	16 March 2021 to 30 June 2022
Accountable Officer (Interim)	Dr Xavier Csar	21 March 2021 to 12 August 2021
Accountable Officer (Interim)	Ms Mary Harney	2 August 2021 to 30 November 2021
Accountable Officer	Mr Grant Dooley	1 November 2021 to 30 June 2022
Chairperson	The Hon. John Brumby AO	16 March 2021 to 30 June 2022
Board Member	Ms Sandra Andersen	1 February 2022 to 30 June 2022
Board Member	Mr Andrew Bassat	16 March 2021 to 16 March 2022
Board Member	Dr Amanda Caples	16 March 2021 to 30 June 2022
Board Member	Ms Susanne Dahn	1 February 2022 to 30 June 2022
Board Member	Mr Joshua Funder	1 February 2022 to 30 June 2022
Board Member	Professor Jane den Hollander AO	16 March 2021 to 30 June 2022
Board Member	Mr Mark Johnson	1 February 2022 to 30 June 2022
Board Member	Mr Kee Wong	1 February 2022 to 30 June 2022

(b) Remuneration of responsible persons

Remuneration received or receivable by each director of the Board in connection with the management of the Company during the reporting period is shown below in their relevant total income ranges.

	2022
Directors	
\$20,000 - \$29,999	5
\$70,000 - \$79,999	1
\$170,000 - \$179,999	1
Accountable Officers	
\$130,000 - \$139,999	1
\$400,000 - \$409,999	1

The remuneration, including the superannuation guarantee contribution, received or receivable by responsible persons of the Company amounted to \$920,610.

No remuneration is paid by the Company to one director and one accountable officer (interim) as they are employed by the Victorian Public Service, and one director provided their services on a pro bono basis.

The directors' remuneration shown in the above table is as determined by the Assistant Treasurer.

(c) Remuneration of Responsible Minister

The Responsible Minister, Hon. Daniel Andrews MP, did not receive any remuneration from the Company. The Minister's remuneration and allowances are set in accordance with the *Parliamentary Salaries and Superannuation Act 1968* and reported in the State's Annual Financial Report.

7.4 Remuneration of executive officers

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

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, or in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, 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, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

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.

Termination benefits include termination of employment payments, such as severance packages.

	2022
Remuneration of executive officers	
Short-term employee benefits ^(a)	1,672
Post-employment benefits	33
Other long-term benefits	-
Termination benefits	-
Total remuneration	1,705
Total number of executives^(b)	11
Total annualised employee equivalents^(c)	11.0

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 7.5).

(b) Total remuneration paid to KMPs employed as a contractor during the reporting period through an external service provider has been reported under short-term employee benefits.

(c) Annualised employee equivalent is based on the time fraction worked over the reporting period.

During the reporting period no Breakthrough Victoria executive officer acted in the Accountable Officer role for part of the reporting period.

Notes to the Financial Statements

continued

7.5 Related parties

(a) Key management personnel and related parties

The key management personnel of the Company include the responsible Minister, the members of the Company's Board of Directors, the Chief Executive Officer and officers with executive responsibility.

The related parties of the Company include:

- All key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over).
- All cabinet ministers and their close family member.
- All departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

	2022
Remuneration of key management personnel	
Short-term employee benefits	2,444
Post-employment benefits	77
Other long-term benefits	-
Termination benefits	-
Total remuneration^(a)	2,521

Notes:

(a) There was no remuneration paid to one director and one acting CEO as they were employed by Victorian Public Service, and one director provided their services on a pro bono basis.

Remuneration of the Company's officers with executive responsibility, other than the Chief Executive Officer, is reported in Note 7.4.

For information pertaining to related party transactions of ministers, the register of members' interests is publicly available from: www.parliament.vic.gov.au/publications/register-of-interests.

(b) Other transactions and balances with key management personnel and other related parties

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

During the reporting period no key management personnel received or became entitled to receive any benefit from the Company, other than remuneration disclosed in the financial report, from a contract between the Company and that key management person or firm, or Company of which that key management person is a member or has a substantial interest.

Any transactions or issues that involve related parties listed below are dealt with on normal commercial terms and conditions and without reference to the key management personnel concerned. All income and expense transactions exclude GST.

Key management person	Related party	Key management person's relationship with related party	Comments
John Brumby	University of Melbourne	Board member Spouse is a professor	Breakthrough Victoria has made a commitment to invest \$7.5 million in the university's Genesis Fund over the next five years. In addition, as part of a co-investment into the Biotech Incubator with CSL, the University of Melbourne and WEHI, Breakthrough Victoria is contracted to provide a specific purpose grant.
Amanda Caples	CSL	Shareholder	As part of a co-investment into the Biotech incubator with CSL, the University of Melbourne and WEHI, Breakthrough Victoria is contracted to provide a specific purpose grant.
Andrew Bassat	Seek Limited	Executive Director	Breakthrough Victoria contracts for services on normal terms and conditions.
Susanne Dahn	CSL	Shareholder	Two family self-managed superannuation funds hold shares in CSL. As part of a co-investment into the Biotech Incubator with CSL, the University of Melbourne and WEHI, Breakthrough Victoria is contracted to provide a specific purpose grant.
Jane den Hollander	UniSuper	Director	Breakthrough Victoria contributes superannuation benefits to UniSuper for a number of employees.
Sandra Andersen	Department of Premier and Cabinet (DPC)	Chair of Audit and Risk Management Committee from January 2015 to December 2021	Breakthrough Victoria receives funding from DPC.
Kee Wong	WEHI	Non-Executive Director	As part of a co-investment into the Biotech Incubator with CSL, the University of Melbourne and WEHI, Breakthrough Victoria is contracted to provide a specific purpose grant.

(c) Significant transactions with government-related entities

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

During the reporting period the Company had the following government related entity transactions:

- The Company received funding from the Department of Premier and Cabinet of \$110.0 million during the reporting period, made up of \$60.0 million of grant income (refer Note 2.1) and \$50.0 million as Contributed Capital shown as equity within the Balance Sheet.

Notes to the Financial Statements

continued

7.6 Other accounting policies

(a) Contributions by owners

Consistent with the requirements of AASB 1004 *Contributions* and FRD 119 *Transfers through Contributed Capital*, 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 Company.

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.

(b) 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.

The Company had no foreign monetary or foreign non monetary items existing at the end of the reporting period for translation. If the Company had foreign monetary items at the end of reporting period they would be translated at the closing rate at the date of the end of the reporting period and non-monetary assets carried at fair value that are denominated in foreign currencies are translated to the functional currency at the rates prevailing at the date when the fair value was determined.

Foreign currency translation differences would be 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.

7.7 Australian Accounting Standards issued that are not yet effective

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

- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current*
- This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date* to defer the application by one year to periods beginning on or after 1 January 2023.

The Company will not early adopt the Standard. The Company is in the process of analysing the impacts of this standard, however, it is not anticipated to have a material impact.

In addition to the accounting standard listed above, the Australian Accounting Standards Board has also released a number of other Australian Accounting Standards and Interpretations. These Australian Accounting Standards and Interpretations are either not applicable or will have a minimal impact on the Company's financial report and therefore have not been specifically identified above.

8. Glossary of technical terms

8.1 Glossary of technical terms

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

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

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

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

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

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

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

Financial asset is any asset that is:

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

The annual financial report comprises:

- (a) a comprehensive operating statement for the period;
- (b) balance sheet as at the end of 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*.

Notes to the Financial Statements

continued

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

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

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

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

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

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

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

Declaration by Chair, Chief Executive Officer and Chief Financial Officer

We certify that the financial report for Breakthrough Victoria Pty Ltd has been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, *Corporations Act 2001*, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the Comprehensive Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and accompanying notes, presents fairly the financial transactions for the reporting period ended 30 June 2022 and the financial position of Breakthrough Victoria at 30 June 2022.

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

We authorise the financial report for issue on 9 December 2022.



The Hon. John Brumby AO
Chair



Grant Dooley
Chief Executive Officer



Narelle Van Vledder
Chief Financial Officer

Melbourne
9 December 2022

9. Corporate Compliance

Compliance with the *Local Jobs First Act 2003*

The *Local Jobs First Act 2003* requires Victorian Government departments and public sector bodies to report on the implementation of the Local Jobs First - Victorian Industry Participation Policy (Local Jobs First – VIPP). Departments and other public sector bodies are required to apply the Local Jobs First – VIPP for all procurement activities valued at \$3 million or more in metropolitan Melbourne and for state-wide projects, and \$1 million or more for procurement activities based in regional Victoria. Breakthrough Victoria did not commence or complete any new Local Jobs First applicable projects during the reporting period.

Government advertising expenditure

Breakthrough Victoria did not spend any money on government advertising campaigns during the reporting period.

Information and communication technology expenditure

For the reporting period, Breakthrough Victoria had a total information and communication technology spend of \$1.1 million excluding GST. Details are shown below.

Business as usual expenditure (excl GST)	Non-business as usual expenditure (excl GST)	Operational expenditure (excl GST)	Capital expenditure (excl GST)
\$760,438	\$377,940	\$181,405	\$196,535

Note: Business as usual expenditure relates to ongoing activities to operate and maintain current information and communication technology capacity.

Non-business as usual expenditure relates to extending and enhancing the Company's current capability. It is the sum of operational expenditure and capital expenditure.

Compliance with the National Competition Policy and the Competitive Neutrality Policy

Breakthrough Victoria operates in accordance with the requirements of the National Competition Policy and the Competitive Neutrality Policy Victoria.

Competitive neutrality requires government businesses to ensure where government businesses compete, or potentially compete, with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned.

Currently the Competitive Neutrality Policy is applied to the investments made by the Company.

Freedom of Information

The *Freedom of Information Act 1982* is not applicable to Breakthrough Victoria, and there are no reporting requirements associated with this Act.

Compliance with the *Public Interest Disclosure Act 2012*

Breakthrough Victoria does not tolerate improper conduct by employees, nor taking of detrimental action against those who come forward to disclose such conduct.

Breakthrough Victoria is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that 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.

Reporting procedures

Disclosures of improper conduct or detrimental action by Breakthrough Victoria or any of its employees and/or officers may be made directly to:

The Independent Broad-based Anti-corruption Commission

Phone: 1300 735 135

Email: info@ibac.vic.gov.au

Compliance with the *Carers Recognition Act 2012*

Breakthrough Victoria has taken all practical measures to comply with our obligations under the *Carers Recognition Act 2012*. These include considering the carer relationship principles set out in the Act when setting policies. These principles are reflected in Breakthrough Victoria's Flexible Work Policy and Leave Policies.

Office-based environmental impacts

Breakthrough Victoria is committed to proactively contributing to a sustainable environment and aims to minimise its office-based environmental impact through:

- Separating office waste into organic, commingled recyclable and landfill streams
- Reducing paper and printer toner use with the widespread adoption by staff of laptops, tablets, smartphones and other digital devices.

Modern Slavery

The Australian Government enacted the *Modern Slavery Act 2018* (MS Act) to address modern slavery risks within supply chains. The MS Act covers a range of offences including forced labour, deceptive recruiting, slavery, servitude, debt bondage, human trafficking and offences involving non-citizens working in Australia without the correct visa.

Breakthrough Victoria has committed to the principles of the MS Act through new provisions in supplier contracts requiring suppliers to comply with the MS Act (where applicable), report to Breakthrough Victoria on their supply chain monitoring, and to include a right for Breakthrough Victoria to make enquiries of suppliers about their compliance with the MS Act.

Consultancy expenditure

In reporting period, there were eight consultancies where the total fees paid or payable were \$10,000 or greater, excluding GST. The total expenditure was \$1.4 million excluding GST. Details of individual consultancies are outlined below.

Consultant	Purpose of Consultancy	Total approved project fee \$ (excl GST)	Expenditure during the reporting period \$ (excl GST)	Future expenditure \$ (excl GST)
Ashurst Australia Pty Ltd	Corporate legal services	227,273	11,265	216,008
Brooke Institute Pty Ltd	Implementation of CRM	587,880	181,405	406,475
Ernst & Young	Commercial accounting, modelling and taxation advisory services	495,000	274,492	220,508
KPMG Australia	Investment plan development	452,121	452,121	-
MinterEllison	Breakthrough Victoria Constitution	60,815	60,815	-
The Nous Group Pty Ltd	Engagement Plan	10,600	10,600	-
Today Strategic Design Pty Ltd	Website Design and Build	293,425	196,535	96,890
Zenia Tata LLC	Research, marketing and engagement services	252,718	252,718	-

For the reporting period, there were no consultancy fees paid or payable of less than \$10,000, excluding GST.

11. Compliance Index

The Breakthrough Annual Report is prepared in accordance with all relevant legislation and pronouncements.

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Investing in innovation for impact

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