



## **Annual Report 2023**

1 July 2022 – 30 June 2023



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## We acknowledge the Traditional Owners of the lands on which we live and work, and pay our respects to their Elders past, present and emerging.

We acknowledge the important contribution that Aboriginal and Torres Strait Islander peoples make in creating a thriving Victoria.

We also acknowledge the long and continuing history of Aboriginal innovation, including their sophisticated knowledge of the land and environment, their deep understanding of sustainable practices, and their ingenious approaches to problem-solving and adaptation.

## Investing in innovation for impact

Breakthrough Victoria is an independent investment company established in 2021 to manage the Victorian Government's \$2 billion Breakthrough Victoria Fund. We invest in innovation for impact, supporting companies and founders to commercialise ideas and innovations that will create jobs of the future, stimulate investment in Victoria and help improve people's lives.

## About this report

The *Breakthrough Victoria Annual Report 2023* highlights the company's work and achievements in the 2022-23 financial year.

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 1 July 2022 to 30 June 2023.

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**Samsara Eco:** An enviro-tech company creating infinite recycling to end plastic pollution.





**We invest in innovation for impact, supporting companies and founders to commercialise ideas and innovations that will create jobs of the future, stimulate investment in Victoria and help improve people's lives.**

# 1. Message from the Chair and CEO



**The Hon. John Brumby AO**  
Chair



**Grant Dooley**  
CEO

**Breakthrough Victoria is building its reputation as an established investor with a credible track record. Having invested more than \$150 million since our inception, we are no longer a market entrant. In presenting our second Annual Report, we are pleased to show the great strides we have taken since our establishment in 2021.**

We have a growing portfolio of 12 companies and two fund investments across our priority sectors of advanced manufacturing, agri-food, clean economy, digital technologies and health and life sciences. This includes investments in eight companies during the past financial year, which are showcased in this report.

From wearable medical devices that detect epilepsy at home to smart tags that allow farmers to track the health and location of livestock from a mobile phone, our portfolio companies bring to life our mission of investing in innovation for impact.

Through our investments, we are driving innovations that will create jobs and investment in our state, deliver financial returns to all Victorians and make our lives better.

Our impact also extends to the innovation community that we are helping to build. In addition to our primary focus of direct investments, we are also helping to grow Victoria's innovation ecosystem and our future investment pipeline with funding for the Jumar Bioincubator and investment in the Tin Alley Ventures and Genesis funds.

This critical role Breakthrough Victoria plays in our state's innovation ecosystem has come to the fore amidst turbulence in global financial markets over the past year. The challenging global economic outlook, high inflation and tighter capital markets have put venture capital valuations under pressure and made capital raising more challenging for early-stage companies.

In the face of such challenges, we risk losing the big ideas and innovations that could produce a cure for cancer or a solution to stop plastic waste polluting our oceans and waterways.

This is where Breakthrough Victoria plays a critical role. We provide predictability in the availability of capital to areas of the Victorian economy that will create jobs and economic growth, while also making a positive difference in people's lives in Victoria and around the world.

We do this as a patient investor with a long-term focus. The growing awareness of our role is reflected in both our investment portfolio and the significant increase in investment proposals we have received over the past financial year, our second year of operation.

Further to this, we are embedding a strategy that minimises shareholder risk, while at the same time making it easier for public and private third-party capital to partner with Breakthrough Victoria. We have aligned our objectives to the United Nations Sustainable Development Goals and formalised our commitment to becoming a signatory to the United Nations-supported Principles for Responsible Investment.

We thank our portfolio companies, innovation and investment partners, our shareholder the Victorian Treasurer, and the Minister for Industry and Innovation for their ongoing support. We look forward to continuing our close and productive relationships with government agencies, including the Department of Jobs, Skills, Industry and Regions, LaunchVic and Invest Victoria. We also acknowledge and appreciate the significant commitment and guidance of the Breakthrough Victoria Board.



## Highlights for 2022-23



**8**  
**portfolio companies**  
\$48.7 million



**1**  
**platform investment**  
\$10.0 million



**1**  
**fund investment**



**Signatory**  
**to the UN-supported**  
**Principles for**  
**Responsible Investing**


**Navi Medical Technologies:** A Victorian company developing a medical device that is making hospital care safer for newborn babies and children.

A photograph of a woman with long brown hair smiling warmly at two young girls. The girls are sitting at a wooden table, playing with colorful blocks and a drawing. One girl, with brown hair, has several EEG electrodes attached to her forehead and temples. She is wearing a pink long-sleeved shirt and a yellow backpack. The other girl, with blonde hair, is also wearing a pink shirt. The background shows a window with greenery outside. A large purple triangle is overlaid on the left side of the image, containing the section header.

## 2. Our approach

**Seer Medical:** Australia's largest epilepsy diagnostics service providing home-based video EEG (electroencephalogram) and ECG (electrocardiogram) monitoring.





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We believe in the power of patient capital to have a positive impact on people's lives and the planet. By investing in and supporting the ideas, businesses and products that can change our lives for the better, we can improve the wellbeing of Victorians and people around the world.

#### Our mission

To invest in innovation, ideas and entrepreneurs to bring breakthrough technologies to market that will help transform people's lives

#### Our vision

To be a trusted investor that delivers positive and sustainable environmental, social and economic impact for Victorians

We invest in innovative technologies, teams and entrepreneurs

>

to deliver positive environmental, social and economic impact

>

for the benefit of Victorians

## 2. Our approach

continued

### Our guiding principles

Breakthrough Victoria has a unique opportunity to lead change in mainstream investment practices with an approach that targets both impact and strong returns. Through our focus on innovation as a driver of positive social and environmental change, we aim to become an Australian leader in investing for impact.

Our guiding principles underpin our approach.




#### Commercial focus for long-term sustainability and impact

We bring a commercial rigour to our investments so the ideas and technologies we help take to market have a sustainable impact at scale. This will ensure we are self-sustaining beyond our first ten years to continue making a difference in people's lives and delivering value to Victorian taxpayers for the long-term future.




#### Invest in innovation

We give innovators the support, connections and funding they need to succeed. Innovation is at the core of productivity growth, which is essential to lifting the wellbeing of all Victorians.




#### Make a difference locally and globally

We back Victorian innovators to have a global impact while supporting local capability. Victoria has first-class capabilities when it comes to the knowledge economy and know-how. We will mobilise intellectual property and help commercialise those ideas in Victoria for the benefit of us all.



#### Invest across five sectors to maximise impact

We invest in five priority sectors where we can make a significant social, environmental and economic impact. They include advanced manufacturing, agri-food, clean economy, digital technologies, and health and life sciences. By targeting and measuring the impact of each investment, we help our portfolio companies maximise their positive impact and improve people's lives.



#### Invest at all funding stages alongside the private sector


We invest all the way from pre-seed to growth capital. We encourage private sector capital in by de-risking opportunities. We will continue to build our relationships with strategic co-investors both nationally and internationally.



#### Be a thought leader and industry driver

We aim to elevate Victoria's innovation ecosystem by communicating our insights back to the market. Whereas many funds focus on individual sectors and targeted funding stages to deliver financial returns – our breadth is our strength. As we gather more data and partner with more companies and co-investors, we will use this knowledge to establish Breakthrough Victoria as a thought leader and industry driver.



A person is shown from the waist up, wearing a blue VR headset with a red 'FLAIM' logo, a white face mask, and an orange protective suit. They are holding a black virtual fire hose nozzle that is spraying a stream of water onto a red target on the floor. The target has the 'FLAIM' logo and the text 'VIRtual FIRE FIGHTING' on it. The background shows a room with a white wall, a rack of colorful hangers, and a glass door.

**FLAIM Systems:** A Victorian company behind the world's first fully immersive virtual firefighting training system.

Through our focus on innovation as a driver of positive social and environmental change, we aim to become an Australian leader in investing for impact.





### 3. How we invest

**Seer Medical:** Globally renowned as a leader in the development of neurological monitoring with the potential to boost health outcomes for patients across the world. It has developed and rolled out wearable technology that allows people with epilepsy to undergo video EEG (electroencephalogram) and ECG (electrocardiogram) monitoring at home.



Breakthrough Victoria's primary focus is on making direct investments in innovative companies through all stages of growth, from the early stages of development to entering global markets.

Our other investment programs include platform investments, fund investments and the Breakthrough Victoria-University Innovation Platform.

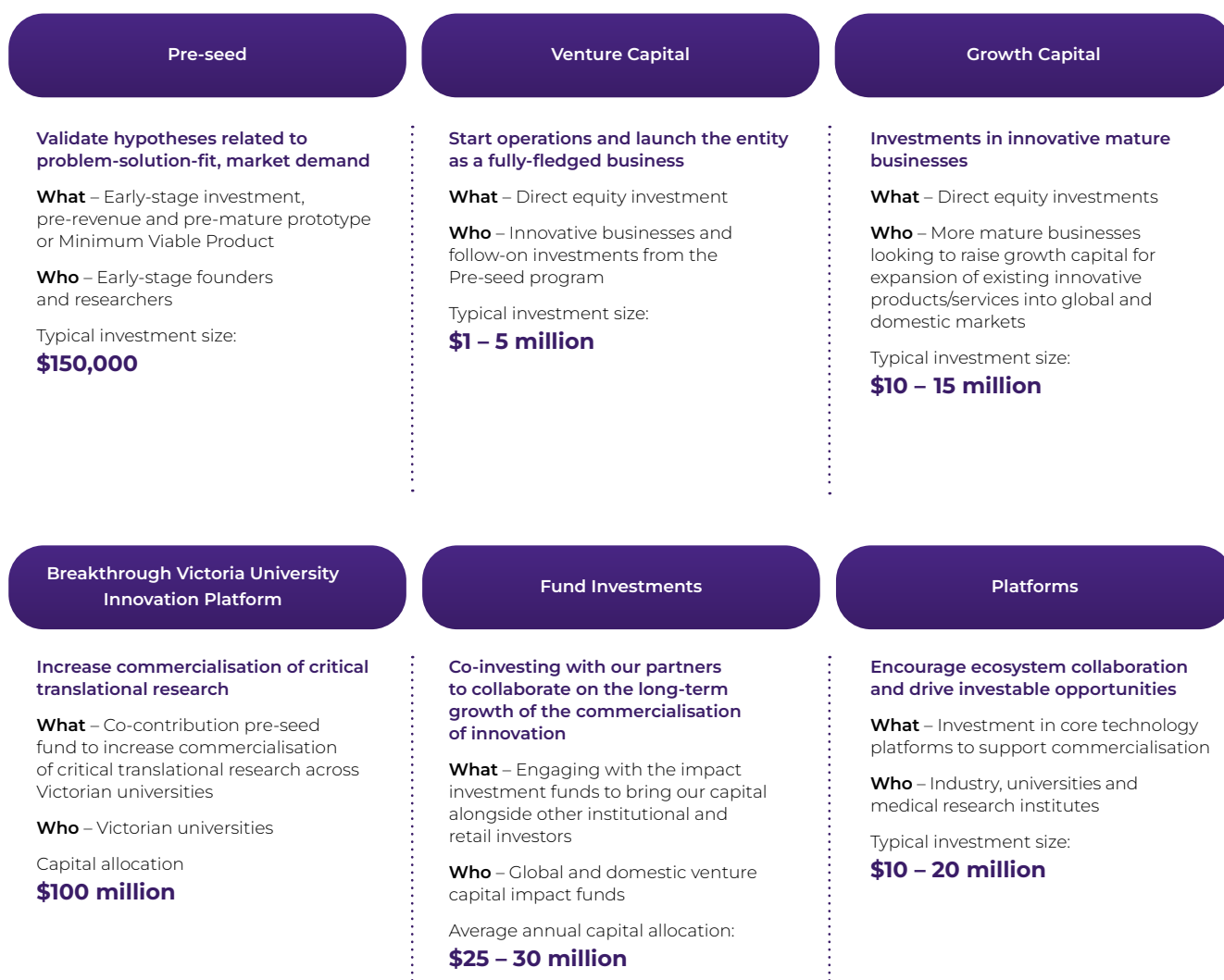
Platform investments provide technological facilities and research infrastructure to underpin new discoveries, as well as the prototyping, translation and commercialisation activity required to bring discoveries towards commercialisation.

Fund investments allow us to co-invest with like-minded investors, increasing our impact by deploying capital into the market to support the commercialisation of breakthrough innovations.

They also support the growth of the state's Venture Capital funds management ecosystem.

The \$100 million Breakthrough Victoria-University Innovation Platform aims to help move critical research with real-world benefit out of the lab and into the market. This is done by co-investing with Victorian universities to establish individual university investment funds that will invest in startups being spun out of each university.

**Figure 3.1: Breakthrough Victoria's investment programs**







## 4. Our portfolio

**Quantum Brilliance:** Breakthrough Victoria has invested in the room temperature diamond-based quantum computing company Quantum Brilliance.

## 4.1 Investment commitments in detail

Breakthrough Victoria invested \$73.7 million to support the development and commercialisation of new and innovative technologies in the 12 months to 30 June 2023. This builds on previous investments of \$81.4 million in our establishment year.

New investments 2022-23		
Companies	Sectors <sup>1</sup>	Description
Cadmus <sup>2</sup>	 <b>Digital Technologies</b>	Born out of a research project at the University of Melbourne in 2015, Cadmus is a university software platform used to support learning and assessments. It uses sophisticated learner analytics to assess the authenticity of students' work and detect the use of AI language programs, such as ChatGPT.
FLAIM Systems	 <b>Digital Technologies</b>	FLAIM Systems has developed the world's first fully immersive virtual firefighting training system. Spun out of Deakin University, the training system replicates the stress and uncertainty of real-world firefighting situations. Utilising 80 different VR scenarios, it allows firefighters to train across different situations with no risk to their health or the environment.
Infleqtion	 <b>Digital Technologies</b>	Infleqtion (formerly ColdQuanta) is a US-based global quantum leader. As a result of Breakthrough Victoria's investment, it has established an Asia Pacific quantum computing and technology facility at Swinburne University of Technology, which is accelerating both quantum technologies and advanced manufacturing capabilities in Victoria.
Navi Medical Technologies	 <b>Health and Life Sciences</b>	Navi Medical Technologies is a Melbourne startup. It is developing a world-first medical device to help clinicians safely insert central venous catheters into the veins of critically ill newborn babies and children, with real-time monitoring to ensure correct placement and avoid critical complications.
	 <b>Advanced Manufacturing</b>	
Quantum Brilliance	 <b>Digital Technologies</b>	Quantum Brilliance has developed the world's first portable quantum computer that operates at room temperature. Through a joint research collaboration with La Trobe and RMIT universities, Quantum Brilliance is part of Breakthrough Victoria's push to establish Victoria as a global player in this rapidly evolving sector.
Smart Paddock	 <b>Agri-Food</b>	Smart Paddock has developed the first battery-free, reusable digital ear-tag for livestock. The Bluebell tag uses a super capacitor to store energy instead of a battery, which makes it longer lasting, lighter and lower cost. Manufactured locally in Victoria, the tags give farmers access to real-time data about the health and location of their livestock on their mobile phone or computer.
	 <b>Advanced Manufacturing</b>	
Smileyscope	 <b>Health and Life Sciences</b>	Founded by two Victorian doctors, Smileyscope has developed virtual reality technology that is clinically proven to reduce a child's pain, stress and anxiety when having common medical procedures, such as blood tests, vaccinations and medical imaging. By making needle procedures less scary for children, they can be completed faster and without the need for sedation to help children get the treatment they need without delay.
	 <b>Digital Technologies</b>	


1. Primary sectors are represented as purple icons and secondary are represented as black icons. The primary sector represents the priority sector an investment directly aligns with and is attributed to in Breakthrough Victoria's portfolio reporting. Secondary sector represents the priority sector the investment indirectly impacts or contributes to. Note: some investments will only align to one priority sector.
2. This is the trading name for the holding company: Vericus Pty Ltd.




## 4. Our portfolio

continued

### New investments 2022-23 continued

Companies	Sectors <sup>1</sup>	Description
Zena Sport	 <b>Advanced Manufacturing</b>	A Geelong-based startup, Zena Sport has developed the most advanced breast and rib impact protection vest for female athletes. The vest empowers women and girls to play contact sports to their full potential. Tested by Deakin University, the vest has been shown to absorb the initial impact of a blow and distribute the energy over a larger area to significantly reduce the risk of injury.

### Platform Investment

Platform	Sectors <sup>1</sup>	Description
Eye clinical trials centre	 <b>Health and Life Sciences</b>	The new eye clinical trials centre will help commercialise Victoria's world-class eye-related medical research. As well as attracting international clinical trials, it will allow local researchers to conduct clinical trials in Australia instead of overseas. This will ensure new treatments and technologies are developed and trialled locally to benefit Victorian patients and the local research and innovation ecosystem. The centre will be embedded within the Centre for Eye Research Australia at the Royal Victorian Eye and Ear Hospital.

### Fund Investment

Fund	Sectors <sup>1</sup>	Description
Tin Alley Ventures	<b>Multi-sector focus</b>	Tin Alley Ventures is Australia's first university-specific, large-scale venture capital fund to accelerate the commercialisation of university innovation. A joint venture between Tanarra Capital and the University of Melbourne, it will invest in high-potential ventures developed within the University of Melbourne ecosystem. By investing in early-stage research over the long-term and forging partnerships with universities through these kind of investments, Breakthrough Victoria can support the development of new innovations that could have a positive impact on the lives of Victorians.

Note: A further three investments were approved in the reporting period but have not yet closed or been announced.

Board approved Investments in the previous financial year include: Samsara Eco, Kite Magnetics, Seer Medical, the University of Melbourne Genesis Pre-Seed Fund and the Jumar Bioincubator (formerly known as the Biotech Incubator).

Further information on our investments can be found at: [Our investments](#).

### 4.2 Market overview

Tightening global financial conditions over the past 12 months have put the Australian investment market in a state of flux. Early-stage companies are finding it more difficult to raise capital, venture capital valuations have declined and growth is slower. The second quarter of 2023<sup>2</sup> saw a reduction in deal count and deal size across Australia, with the sector share of deals dominated by Fintech and Enterprise Software<sup>3</sup>.

These market conditions saw Breakthrough Victoria adopt a more prudent and risk-adjusted approach to investing through our triple lenses of innovation, impact and commercial return. However, our investment mandate for investing patient capital in innovative companies that have a positive impact on our society remains unchanged. Breakthrough Victoria continues to support smart, cutting-edge companies looking to solve society's problems and build their presence in Victoria. Indeed, our presence in the

market provides certainty to other investors and early-stage companies looking to raise capital in unfavourable market conditions.

### 4.3 Our investment pipeline

Strong pipeline growth in 2022-23 reflects an increasing awareness of Breakthrough Victoria's role in the state's innovation ecosystem, including the support we provide our portfolio companies and the connections we create between government, industry and other investors.

1. Primary sectors are represented as purple icons and secondary are represented as black icons. The primary sector represents the priority sector an investment directly aligns with and is attributed to in Breakthrough Victoria's portfolio reporting. Secondary sector represents the priority sector the investment indirectly impacts or contributes to. Note: some investments will only align to one priority sector.
2. Cut Through Ventures et al, (2023), Cut Through Quarterly: Australian Venture Capital Funding Report Q2 2023, Available at: <https://drive.google.com/file/d/18gGz3i-GJjnBRmYNjN08iVVchwBfWJwR/view> (accessed: 27 July 2023).
3. Cut Through Ventures et al, (2022) The State of Australian Startup Funding, Cut Through Ventures, Available at: <https://australianstartupfunding.com/> (accessed: 27 July 2023).

Breakthrough Victoria received 434 investment proposals in the reporting period seeking \$1.19 billion in capital. This represents a 160 per cent increase in the number of proposals, up from 167 in the previous financial year.

#### 4.4 Our portfolio and investment strategy overview

Our priority sectors of agri-food, advanced manufacturing, clean economy, digital technologies and health and life sciences represent areas of innovative strength and economic opportunity for Victoria. By investing in breakthrough innovations across these five sectors we can make a difference in the lives of Victorians through better health and environmental outcomes, jobs, economic growth and financial returns that can be re-invested into Victorian innovation.

Digital technologies and health and life sciences were the strongest sectors in our portfolio as of June 2023. This reflects Victoria's existing capability within these sectors and the available opportunities across the Victorian and Australian investment market. However, it is worth noting that our portfolio companies often cross multiple sectors, with advanced manufacturing a secondary

sector for some of our portfolio. Overall, the investments in our portfolio reflect a broad range of early and later stage companies and our capital allocation also supports relatively lower risk and later-stage portfolio companies.

Our fund investments in Tin Alley Ventures and the University of Melbourne Genesis Pre-Seed Fund will see more Victorian research and innovation move from the lab to the market, with both pre-seed, early-stage and follow-on investments related to University of Melbourne research commercialisation.

We aim to expand this approach across Victoria's university sector through our Breakthrough Victoria-University Innovation Platform in the coming financial year. We will also continue to look for other private sector fund investment opportunities that align with our priority sectors and mandate of investing in innovation for impact.

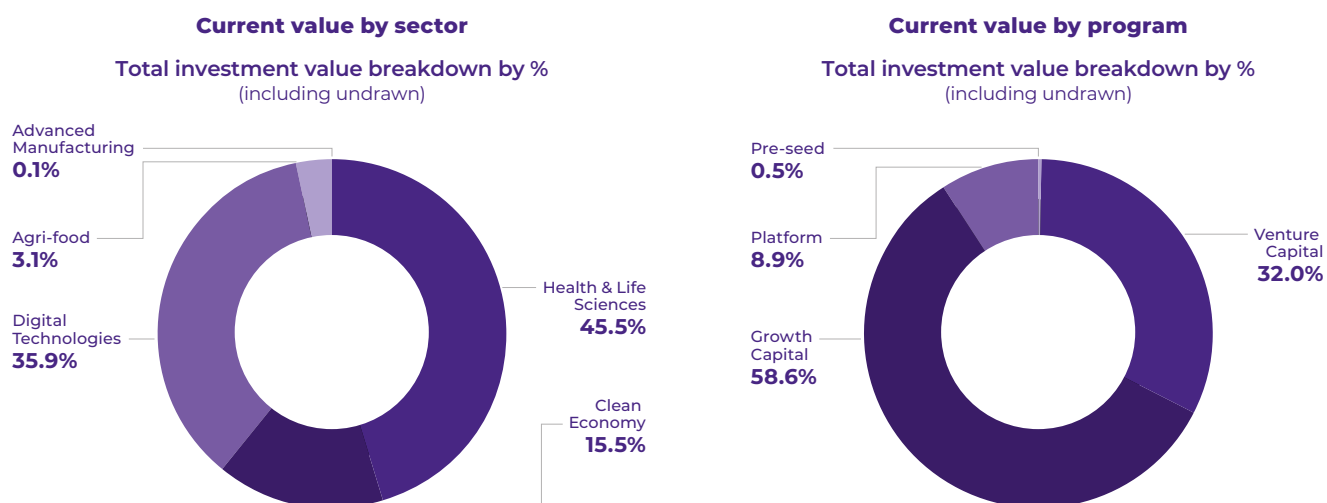
Similarly, our platform investments allow us to support and grow Victoria's innovation ecosystem more broadly, while also building a pipeline of future investment opportunities. Our 2022-23 investment in a new eye clinical trials

centre based at the CERA will help commercialise Victoria's world-class medical research, ensure new treatments and technologies are developed and trialled locally to benefit Victorian patients and the research and innovation ecosystem. Construction is underway and the new centre will be operational in 2024.

The Jumar Bioincubator, which was initially funded in 2021-22, received our final payment this year following the successful completion of the building works and other key milestones. Located in Melbourne's world-class biomedical precinct, it includes 25 fully equipped self-contained laboratories all enclosed in a Physical Containment Level 2 facility.

Once operational, the Jumar Bioincubator will be able to support up to 40 biotech startup businesses. We anticipate the breakthrough innovations in biotech therapies coming out of these startups will provide future investment opportunities for Breakthrough Victoria and other investors who share our mission of investing in innovation that will have a positive impact on peoples' lives.

Figure 4.1: Portfolio of direct investments since inception (2021 to 2022/23)<sup>1</sup>



1. Charts are based on the valuation of direct investments as of 30 June 2023 (taking into account fluctuations in foreign exchange rates) and do not include indirect fund investments or the Jumar Bioincubator.

## 4. Our portfolio

### continued

#### 4.5 Our impact in action

**Smart Paddock**  
\$500,000  
December 2022<sup>1</sup>



**Smart Paddock's Bluebell tag is the first reusable and battery-free digital ear tag for livestock. It allows farmers to GPS-track their livestock in real-time on their mobile phone or computer. With this capability, farmers can track stray or stolen animals, review pasture usage maps, monitor the activity levels of key animals and see how far their animals are walking each day to access food or water.**

The Bluebell tag uses a super capacitor to store energy instead of a battery, which enables the tag to run for days without exposure to sunlight. It's also lighter, reusable, longer lasting and lower cost for farmers.

Breakthrough Victoria's investment will support this Victorian ag-tech company to expand production of the Bluebell tag in Victoria and further develop the technology. Smart Paddock is moving towards

a second production run while continuing to develop behavioural algorithms to alert farmers to key events such as birthing and other stresses affecting livestock. These developments will help bolster Smart Paddock's value proposition to farmers and the sector more broadly.

*"Our vision is to transform traditional farms to highly productive, environmentally and ethically forward thinking without resorting to factory farming. We know our technology is revolutionary. This investment by Breakthrough Victoria and continued investment from Telstra will help us keep our manufacturing in Victoria. We can further develop our product to give farmers even more advanced data to inform their decision making, increase productivity and the health of their livestock."*

— Smart Paddock founder, Darren Wolchyn

**FLAIM Systems**  
\$5 million  
March 2023<sup>1</sup>



**FLAIM Systems has developed an immersive virtual training system that replicates the stress and uncertainty of real-world firefighting situations.**

Spun out of research at Deakin University, the company has created 80 different virtual reality training scenarios. These allow firefighters to train across different situations with no risk to their health or the environment as there is no exposure to carcinogenic substances used in training, like PFAS foam.

The FLAIM Trainer combines a VR headset with haptic technology, creating a kinaesthetic 'feels-real' experience by applying force feedback to the user. This includes simulating an operational fire hose and a thermal vest that reproduces the heat firefighters would experience from the direction of the fire.

It also uses innovative real-time data to track performance against training outcomes. This includes task completion time, stress levels and air and water usage. It can also sense where the trainee is moving and looking within the scenario, as well as how they position themselves and interact with virtual objects such as gas meters, electrical boxes, or the fire itself.

With more than 10 million professional and volunteer firefighters globally, this technology has the potential to make training safer for firefighters and the environment around the world.

*"This investment by Breakthrough Victoria will support FLAIM to build the foundations for global expansion as we enhance our technology stack, strengthen and scale-up our team and accelerate our go-to market strategy."*

— FLAIM Systems Chief Executive Officer, Simon Miller

<sup>1</sup>. This refers to date of announcement.



### Navi Medical Technologies

\$700,000

August 2023<sup>1</sup>



**Navi Medical Technologies is developing a medical device to help guide clinicians inserting central venous catheters into the veins of critically ill newborn babies and children to administer life-saving therapies.**

Currently, almost half of these life-saving procedures result in catheters being misplaced, which if left undetected, can lead to life threatening complications. The high misplacement rate is due to clinicians relying on x-rays to confirm the catheter location, which can only be done after the procedure has taken place.

The Melbourne startup has specifically designed the Neonav® ECG Tip Location System to solve this problem.

Like the parking sensor on a car that helps guide the driver into a parking space, the device guides the clinician as they insert a tiny catheter into a newborn baby's vein and position it close to the heart to safely deliver essential medicines, nutrients or fluids.

The device is undergoing a second clinical trial involving 25 critically ill newborn babies at the Royal Women's Hospital in Melbourne in 2023.

*"Our goal at Navi is to build a world leading medical device company for the most fragile patients in our healthcare system. Support from Breakthrough Victoria at this early stage is vital in growing our team and building a strong foundation for success."*

— Navi Medical Technologies CEO and co-founder, Alex Newton

### Quantum Brilliance

\$8 million

February 2023<sup>1</sup>



**Australian company Quantum Brilliance has developed the first portable quantum computer that operates at room temperature.**

Quantum computing typically requires temperatures below zero degrees Celsius and expensive full stack computer systems, making it difficult to rollout the technology into smaller and more portable technology.

Quantum Brilliance has addressed this challenge by using the crystalline structure of diamonds as an insulator against noise and temperature. This allows their smaller quantum computer to sit alongside classical computing systems as an accelerator for faster and more advanced computing, or as an edge computing device to connect and control the flow of data between networks.

This innovation means the company's diamond quantum computing technology is better suited for use in real world situations, like medical

imaging, satellite technology and robotics than other technology solutions.

Breakthrough Victoria's investment in Quantum Brilliance has helped the company develop new applications and expand its Melbourne operations and its extensive research partnerships with several Victorian universities.

*"We see Victoria as a crucial launch pad for Australia in quantum technologies and a natural partner for Quantum Brilliance. Victoria has world-leading advanced manufacturing capabilities in alignment with our diamond quantum computing technology, which is supported through our key research partnerships with Victorian universities. It's a natural fit and we're excited about this investment."*

— Quantum Brilliance co-founder and Chief Science Officer, Dr Marcus Doherty

1. This refers to date of announcement.

# 4. Our portfolio

continued

## 4.6 Our impact investing journey

Investing in innovative companies and technologies with the potential to solve global challenges and deliver a positive impact on society, the economy and the planet is at the heart of our mission. As a responsible investor, we take a careful approach to ensure companies that may have large environmental, social and governance (ESG) issues and risks are screened out of our pipeline.

We are at the start of our ambitious journey to becoming an impact investor under globally recognised guidelines. We are now formally recognised as a signatory to the UN-supported Principles for Responsible Investing (UN PRI). Over the past twelve months, Breakthrough Victoria has developed a Responsible Investment Policy and made significant progress in implementing ESG practices in our investment process.


We are also pioneering the use of an ESG-Venture Capital common reporting framework in Australia in collaboration with the Australian Investment Council and leading venture capital (VC) firms.

This includes Main Sequence Ventures, BlackBird, SquarePeg, AirTree Ventures, Brandon Capital Partners, NAB Ventures, Alberts, Reinventure, Giant Leap and OneVentures.

As part of this process, we are actively engaging with our portfolio companies on ESG issues and have begun to collect specific impact metrics. The next phase of our work will see a more comprehensive impact investing framework embedded in our strategy and investment practices.

Figure 4.2: Breakthrough Victoria's pathway to impact





**Zena Sport:** A Victorian company empowering women and girls to play contact sport with confidence and at their full potential with its innovative impact protection vest.

We are pioneering the use of an ESG-Venture Capital common reporting framework in Australia in collaboration with the Australian Investment Council and leading venture capital (VC) firms.



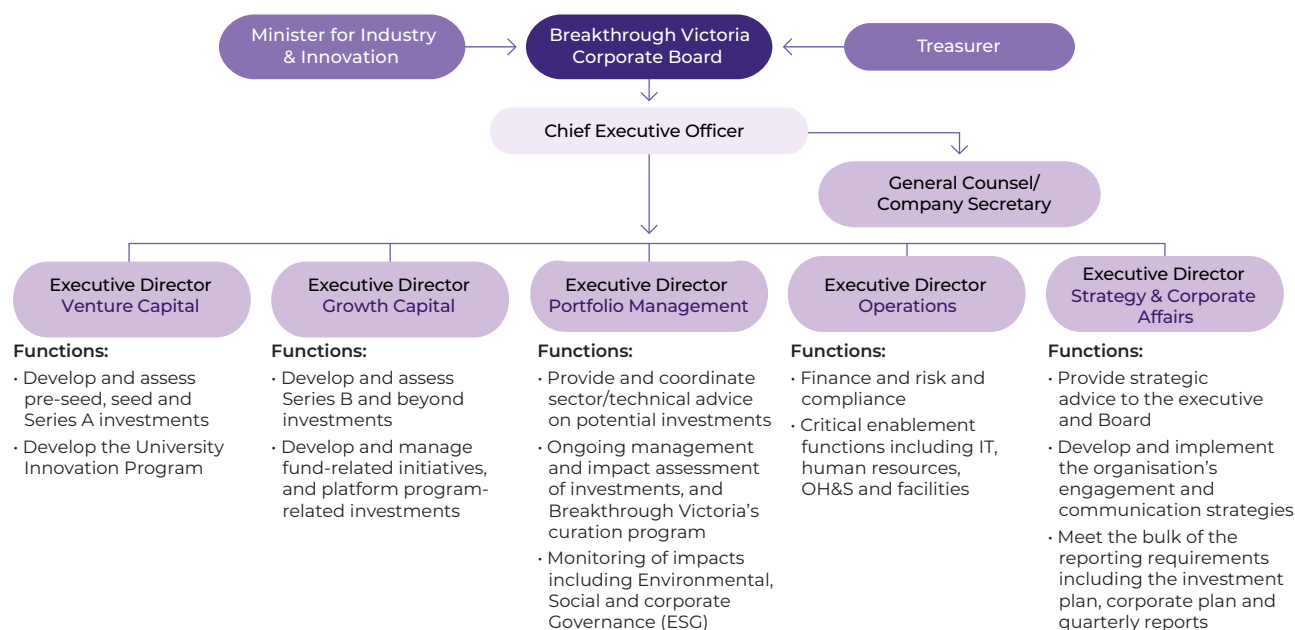


## 5. Our people

## 5.1 Organisational structure

Breakthrough Victoria delivers its mission through five functional groups, supported by the Company Secretary/General Counsel as part of the Office of the CEO.

Figure 5.1: Breakthrough Victoria's organisation chart



During the reporting period, Breakthrough Victoria has maintained a high-performing team and agile workforce composition. Key to this has been our ability to attract talent, leverage existing networks and engage skilled practitioners on projects, as and when needed.

Our team is diverse, and our culture 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 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** – Implementation of the Organisation Capability Uplift Plan, where employees and managers are encouraged to identify development opportunities that are critical to the company's success in future years and investing in careers beyond today.

During the reporting period, we have continued to source and recruit talented people with expertise across investment, portfolio management and finance. The skills mix in our investment teams includes investment professionals with expertise in impact investing, venture capital and portfolio construction.

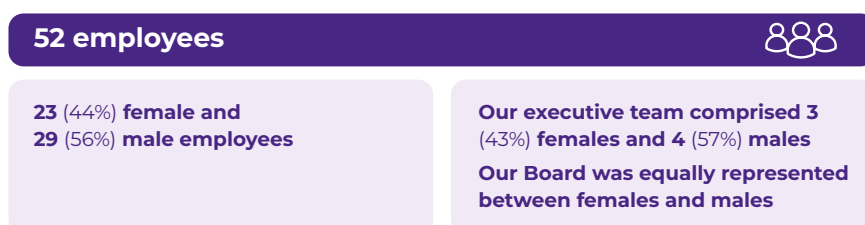
Breakthrough Victoria's workforce profile ensures the optimum mix of talent and capabilities across all areas

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, organisations and lived experiences. In doing so, our workforce reflects the community that we serve.

Of the 52 employees at 30 June 2023, Breakthrough Victoria had 23 female and 29 male employees. Of members that sit on the Executive Leadership Team, there are 3 females and 4 males, and the Board consists of an equal proportion of males and females.

Figure 5.2 Breakthrough Victoria's people summary



# 5. Our people

continued

## 5.2 Occupational health and safety

Breakthrough Victoria prioritises the health, safety and wellbeing of its people, and implemented several new improvements to the work environment and practices over the reporting period. These included:

- Online training and resources through various partners and channels on inclusion, health and wellbeing, psychological safety and resilience, and in particular the importance of these in effectively managing teams.
- An updated Employee Leave Policy and manager training, including extended parental leave options for expecting parents or parents of young children.
- Improved flexible and hybrid working options that allow employees to appropriately balance their time in the office and time working from home. Flexible working ensures carers, parents or people with a disability or suffering an illness or injury can return to work and contribute to the Company's success.
- Office adjustments include an increased and varied number of working spaces and meeting rooms that offer employees options to facilitate their preferred working style, productivity and neurodiversity. The space includes extended facilities and amenities for employees and visitors with disabilities.

## 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	1
Incidents reported	1
Workers Compensation claims	0

All hazards and incidents reported during the period were categorised as low risk. All matters are closed.

## 5.3 Employment and conduct principles

Breakthrough Victoria is committed to applying merit and equity principles when appointing, remunerating and promoting staff. The selection processes ensure applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria for the role, and other accountabilities without discrimination.

All positions can be worked flexibly, and services and support are offered to candidates who may require adjustments during the recruitment and onboarding process.

All Breakthrough Victoria positions and employees have been classified within Breakthrough Victoria's classification structure.











## 6. 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 Minister for Industry and Innovation 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 Investment Plan is prepared and approved by the Premier and Treasurer that guides Breakthrough Victoria's investment activities over a three-year period.

Breakthrough Victoria interacts with a wide range of government entities, particularly the Departments of Jobs, Skills, Industry and Regions, and 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 the shareholder after receiving prior written approval by the Relevant Minister). The Company has a Chief Executive Officer, with a team of staff (equal to 52 FTE as at 30 June 2023) that work across a range of functions to ensure that Breakthrough Victoria can deliver on its mandate to make Victoria a global leader in innovation.

## 6.1 Our Board



**The Hon. John Brumby AO**  
Chair



**Sandra (Sam) Andersen**  
Director



**Dr Amanda Caples**  
Director



**Susanne (Sue) Dahn**  
Director



**Joshua (Josh) Funder**  
Director



**Professor Jane den Hollander AO**  
Director



**Mark B. Johnson**  
Director



**Kee Wong**  
Director





## 6. Corporate governance

continued

### 6.2 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



### 6.3 Budget Performance Measures

Breakthrough Victoria had a service delivery budget paper performance measure of supporting ten companies or consortia over the 2022–23 financial year. Breakthrough Victoria met 130 per cent of this target.

Victorian Budget 2022-23 Budget Paper No. 3	Result	Target	Per cent of target achieved
<i>Companies and consortia supported by the Breakthrough Victoria Fund</i>  <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 well 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"><li>• Cadmus</li><li>• Eye clinical trials centre</li><li>• FLAIM Systems</li><li>• Inflection (ColdQuanta)</li><li>• Navi Medical Technologies</li><li>• Quantum Brilliance</li><li>• Smart Paddock</li><li>• Smileyscope</li><li>• Tin Alley Ventures</li><li>• Zena Sport</li><li>• Three additional investments approved by the Board are yet to be contracted/announced</li></ul>	13	10	130%



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## 7. 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*.

This section provides a financial summary and review of the 2022-23 financial year for Breakthrough Victoria.

The table to the right represents summary figures in the comprehensive income statement and balance sheet as presented in the full financial statements contained in section 9 of this Annual Report.

## Summary of financial results

	1 July 2022 to 30 June 2023 \$'000	16 March 2021 to 30 June 2022 \$'000
Income from transactions	83,525	60,123
Expenses from transactions	22,220	29,697
Net result from transactions	61,305	30,426
Net loss on balance sheet items	2,632	-
Comprehensive result	58,673	30,426
Total assets	366,674	107,112
Total liabilities	2,575	26,686
Net assets	364,099	80,426

## Financial performance

For the 2022-23 financial year, Breakthrough Victoria recorded a comprehensive result of \$58.7 million (2022: \$30.4 million) and operated largely in line with expectations.

## Significant changes in financial position

At 30 June 2023, net assets reached \$364.1 million, as the State continued to fund the operations and investment activity of the Company to meet its stated objectives.

The Board approved \$9.2 million of investments which are expected to be settled subsequent to the reporting period.

## Subsequent events

No material events have occurred between the balance sheet date and the date of this report, outside of the Company's normal business investment operations.

**Eye clinical trials centre:** Breakthrough Victoria invested in a new world-leading eye clinical trials centre that will provide Victorians with early access to new treatments aiming to prevent and cure blindness.



## 8. Directors' Report

The directors present their report together with the annual financial report of Breakthrough Victoria, for the period 1 July 2022 to 30 June 2023 and the independent auditor's report.

## Directors

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

- The Hon. John Brumby AO<sup>1</sup>
- Ms Sandra Andersen
- 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 to the right.

## Company Secretary

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

- 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 are detailed below. On 19 October 2022, the Board approved the formation of the Board Strategy Committee and as a result adjusted the membership of all Committees.

In addition to attending formal board and committee meetings, directors participated in workshops with management to discuss and consider strategic issues.

Board	Appointment term	2024	2025	2026	2027
John Brumby AO <sup>1</sup>	16/03/2021 to 16/03/2026			●	
Sandra Andersen	01/02/2022 to 01/02/2025		●		
Amanda Caples <sup>1</sup>	16/03/2021 to 16/03/2024	●			
Susanne Dahn	01/02/2022 to 01/02/2025		●		
Joshua Funder	01/02/2022 to 01/02/2025		●		
Jane den Hollander AO <sup>1</sup>	16/03/2021 to 16/03/2024	●			
Mark Johnson	01/02/2022 to 01/02/2025		●		
Kee Wong	01/02/2022 to 01/02/2025		●		

● Expiry of current term

1. These Directors were also appointed as members of Breakthrough Victoria's interim Board in 2021.

## Board and Board Committee Membership and Attendance July 2022 – 30 June 2023

Board	Appointment date	No. of meetings eligible to attend	No. of meetings attended by director
John Brumby AO (Chair)	16/03/2021	9	9
Sandra Andersen <sup>1</sup>	01/02/2022	9	8
Amanda Caples	16/03/2021	9	9
Susanne Dahn	01/02/2022	9	9
Joshua Funder	01/02/2022	9	7
Jane den Hollander AO	16/03/2021	9	8
Mark Johnson	01/02/2022	9	9
Kee Wong	01/02/2022	9	5

1. Registered as a leave of absence.



## 8. Directors' Report

continued

Committee title	No. of meetings eligible to attend	No. of meetings attended by director
<b>Board Investment Committee</b>		
Susanne Dahn (Chair)	13	13
John Brumby AO <sup>2</sup>	6	11
Jane den Hollander AO <sup>1</sup>	5	5
Amanda Caples	13	13
Sandra Andersen <sup>2</sup>	6	5
Joshua Funder	13	9
Kee Wong	13	11
Mark Johnson	13	13
<b>Risk, Audit &amp; Finance Committee</b>		
Sandra Andersen (Chair)	6	6
John Brumby AO	6	5
Amanda Caples <sup>1</sup>	2	2
Susanne Dahn <sup>3</sup>	4	4
Joshua Funder <sup>3</sup>	4	3
<b>Nominations &amp; Remuneration Committee</b>		
John Brumby AO (Chair)	4	4
Amanda Caples <sup>1</sup>	1	1
Jane den Hollander AO	4	2
Kee Wong <sup>3</sup>	3	2
Mark Johnson <sup>3</sup>	3	3
<b>Board Strategy Committee</b>		
John Brumby AO (Chair)	3	3
Jane den Hollander AO	3	3
Amanda Caples	3	3
Sandra Andersen	3	3

1. These members were no longer sitting on this Committee from 19 October 2022.

2. J Brumby was no longer a member of this Committee from 19 October 2022, but continued to attend meetings as an observer after that date, being 6 additional meetings.

3. These members joined the Committee from 19 October 2022.

### 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, startups, research institutions and governments 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 9. The net result for Breakthrough Victoria for the reporting period was \$58.7 million.

### Operational performance

A comprehensive review of operations is provided in section 4.

### Dividends

The directors have neither declared nor recommended a dividend and no dividend has been paid for the reporting period ended 30 June 2023.

### 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 10. This legislative framework reflects Breakthrough Victoria as a State owned entity of Victoria.

### 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 9 of this report and forms part of the financial report for the reporting period.

This Directors' Report is made out in accordance with a resolution of the directors.




### The Hon. John Brumby AO

Director  
18 September 2023



### Sandra Andersen

Director  
18 September 2023



**Smart Paddock:** Farmers will be able to access real-time data about the health and location of their livestock on their mobile phone thanks to the new Victorian technology, Smart Paddock, being supported by Breakthrough Victoria.





## 9. Financial Report



# Annual Financial Report for the reporting period 1 July 2022 to 30 June 2023

Breakthrough Victoria Pty Ltd has presented its audited general purpose annual financial report for the reporting period 1 July 2022 to 30 June 2023 in the following structure to provide users with 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 2023 and of its performance for the reporting period ended 30 June 2023, 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.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the *Corporations Act 2001*.

We authorise the attached annual financial report for issue on 23 August 2023.



**The Hon. John Brumby AO**  
Director  
23 August 2023



**Sandra Andersen**  
Director  
23 August 2023

# Independent Auditor's Report

## To the Board of Breakthrough Victoria Pty Ltd

<b>Opinion</b>	<p>I have audited the financial report of Breakthrough Victoria Pty Ltd (the company) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2023</li> <li>• comprehensive operating statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• cash flow statement for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• declaration by the Chairperson, Chief Executive Officer and Chief Financial Officer.</li> </ul> <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"> <li>• presenting fairly, in all material respects, the financial position of the company as at 30 June 2023 and its financial performance and cash flows for the year then ended</li> <li>• complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.</li> </ul>
<b>Basis for opinion</b>	<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>
<b>Board's responsibilities for the financial report</b>	<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>

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**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.

---



MELBOURNE  
5 September 2023

Simone Bohan  
*as delegate for the Auditor-General of Victoria*



## 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 year ended 30 June 2023, 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  
5 September 2023



Simone Bohan  
*as delegate for the Auditor-General of Victoria*

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# Comprehensive Operating Statement

For the financial year ended 30 June 2023

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Continuing operations</b>			
<b>Income from transactions</b>			
Grant income	2.1	75,000	60,000
Investment income	2.2	8,525	123
<b>Total income from transactions</b>		<b>83,525</b>	<b>60,123</b>
<b>Expenses from transactions</b>			
Employee expenses	3.3	9,878	3,662
Administration expenses	3.1	6,819	5,773
Depreciation and amortisation		523	262
Grant expenses	3.2	5,000	20,000
<b>Total expenses from transactions</b>		<b>22,220</b>	<b>29,697</b>
<b>Net result from transactions</b>		<b>61,305</b>	<b>30,426</b>
<b>Other economic flows included in net result</b>			
Net gain/(loss) on financial instruments	7.1	(2,632)	-
<b>Total other economic flows included in net result</b>		<b>(2,632)</b>	<b>-</b>
<b>Net result</b>		<b>58,673</b>	<b>30,426</b>
<b>Comprehensive result</b>		<b>58,673</b>	<b>30,426</b>

Breakthrough Victoria has no other comprehensive income to report for the period ended 30 June 2023.

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



# Balance Sheet

As at 30 June 2023

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Assets</b>			
<b>Financial assets</b>			
Cash and cash equivalents	4.1	261,092	103,506
Investments	4.2	102,540	-
Statutory receivables and other assets		813	2,083
<b>Total financial assets</b>		<b>364,445</b>	<b>105,589</b>
<b>Non-financial assets</b>			
Furniture, fittings and equipment	4.3	1,376	514
Right-of-use assets	4.4	560	812
Intangible assets		293	197
<b>Total non-financial assets</b>		<b>2,229</b>	<b>1,523</b>
<b>Total assets</b>		<b>366,674</b>	<b>107,112</b>
<b>Liabilities</b>			
Payables	5.1	1,143	25,617
Provisions	3.3	342	74
Lease liability	5.2	910	995
Other liabilities		180	-
<b>Total liabilities</b>		<b>2,575</b>	<b>26,686</b>
<b>Net assets</b>		<b>364,099</b>	<b>80,426</b>
<b>Equity</b>			
Contributed capital		275,000	50,000
Retained earnings		89,099	30,426
<b>Net worth</b>		<b>364,099</b>	<b>80,426</b>

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

# Statement of Changes in Equity

For the financial year ended 30 June 2023

	Note	Contributed capital \$'000	Accumulated surplus \$'000	Total \$'000
<b>Opening balance at start of period</b>				
Net result for the year		-	30,426	30,426
Contributed capital		50,000	-	50,000
<b>Balance at 30 June 2022</b>		<b>50,000</b>	<b>30,426</b>	<b>80,426</b>
Net result for the year		-	58,673	58,673
Contributed capital		225,000	-	225,000
<b>Balance at 30 June 2023</b>		<b>275,000</b>	<b>89,099</b>	<b>364,099</b>

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

# Cash Flow Statement

For the financial year ended 30 June 2023

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Cash flows from operating activities</b>			
Grant income	2.1	75,000	60,000
Interest received	2.2	7,569	123
Goods and services tax recovered from the ATO		2,752	484
Payments to suppliers and employees		(22,179)	(6,416)
Payment of grants		(25,000)	-
Interest and other finance costs		(10)	-
<b>Net cash inflows from operating activities</b>	4.1(a)	<b>38,132</b>	<b>54,191</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(1,181)	(488)
Acquisition of intangibles		(150)	(197)
Acquisition of investments		(104,215)	-
<b>Net cash outflows from investing activities</b>		<b>(105,546)</b>	<b>(685)</b>
<b>Cash flows from financing activities</b>			
Contributed capital		225,000	50,000
Repayment of principal portion of lease liabilities		-	-
<b>Net cash inflows from financing activities</b>		<b>225,000</b>	<b>50,000</b>
<b>Increase in cash and cash equivalents</b>		<b>157,586</b>	<b>103,506</b>
Cash and cash equivalents at beginning of year		103,506	-
<b>Cash and equivalents at end of year</b>	4.1	<b>261,092</b>	<b>103,506</b>

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 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 financial year ended 30 June 2023, with the comparative 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*. 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 financial report was authorised for issue by the Board of Directors on 23 August 2023.

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

<p><b>Introduction to this section</b></p> <p>Breakthrough Victoria was established to invest for impact and develop commercial potential of innovations.</p> <p>The Company forges long-term partnerships with investors, companies, startups 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>	<p><b>This section contains the following disclosure:</b></p> <p>2.1 Grant income</p> <p>2.2 Investment income</p>
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### 2.1 Grant income

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Grants</b>			
Grants received from Department of Premier and Cabinet		75,000	60,000
<b>Total grants</b>		<b>75,000</b>	<b>60,000</b>

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.

### 2.2 Investment income

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Investment income</b>			
Interest from investments		956	-
Interest from bank deposits		7,569	123
<b>Total investment income</b>		<b>8,525</b>	<b>123</b>

#### Net investment income

Interest income is recognised on an accrual basis. Fair value movement on investments, both realised and unrealised, are recognised as other economic flows through net result and are disclosed at note 7.1.

# 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	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
Professional services		4,621	4,357
Information services		995	488
Communication expenses		147	213
Insurance		219	211
Interest expense		19	28
Victorian Auditor-General's financial audit fees		85	30
Other operating		733	446
<b>Total administration expenses</b>		<b>6,819</b>	<b>5,773</b>

No remuneration was paid to the Victorian Auditor-General's Office for any other services (2022: Nil)

### 3.2 Grant expenses

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
Specific purpose grants		5,000	20,000
<b>Total grant expenses</b>		<b>5,000</b>	<b>20,000</b>

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	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Employee benefits</b>			
Salaries and on-costs		8,510	3,454
Defined contribution superannuation expenses		783	105
Leave entitlements		585	103
<b>Total employee benefit expenses</b>		<b>9,878</b>	<b>3,662</b>



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 2023 (2022: Nil).

#### (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	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Current provisions</b>			
Annual leave and on-costs			
Unconditional and expected to be settled within 12 months		342	74
<b>Total provision for employee benefits</b>		<b>342</b>	<b>74</b>

#### (c) Reconciliation of movement in provision

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Opening balance</b>		<b>74</b>	-
Additional provisions recognised		534	74
Reductions arising from payments/other sacrifices of future economic benefits		(266)	-
<b>Closing balance</b>		<b>342</b>	<b>74</b>
Current		342	74
Non-current		-	-
<b>Total provision</b>		<b>342</b>	<b>74</b>

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 (2022: Nil), 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 one year or less (2022: less than 1 year).

# Notes to the Financial Statements

continued

## 4. Key assets available to support our delivery

### Introduction to this section

This section details the key assets utilised in fulfilling Breakthrough Victoria's objectives and conducting its operations

### This section contains the following disclosure:

- 4.1 Cash and cash equivalents
- 4.2 Investments
- 4.3 Furniture, fittings and equipment
- 4.4 Right-of-use assets

### 4.1 Cash and cash equivalents

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Current</b>			
Cash and cash equivalents		261,092	103,506
<b>Total cash and cash equivalents</b>		<b>261,092</b>	<b>103,506</b>

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

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Net result</b>		58,673	30,426
Depreciation on furniture, fittings and equipment and right-of-use assets		470	262
Amortisation on intangibles		53	-
Accrued interest expense		19	28
Accrued investment income		(956)	-
Changes in fair values of investments through the comprehensive operating statement		2,632	-
<b>Changes in operating assets and liabilities</b>			
(Increase)/decrease in receivables		1,446	(2,079)
(Increase)/decrease in prepayments		(179)	(4)
Increase/(decrease) in payables		(24,474)	25,484
Increase/(decrease) in provisions		448	74
<b>Net cash inflows from operating activities</b>		<b>38,132</b>	<b>54,191</b>

## 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 Responsible Minister.

### (b) Breakthrough Victoria's investment portfolio

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
Convertible notes		39,556	-
Equities and units in trusts		49,934	-
Investments accounted for using the equity method		13,050	-
<b>Total investments</b>		<b>102,540</b>	<b>-</b>
Current		-	-
Non-current		102,540	-
<b>Total investments</b>		<b>102,540</b>	<b>-</b>

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.

Details of the different types of Breakthrough Victoria's investment assets are listed below:

- 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 investments 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. The Company's investments in convertible notes, and equities and unit trusts fall within this asset category.
- Investments accounted for using the equity method are initially recognised at cost in the balance sheet and subsequently adjusted for Breakthrough Victoria's share of post-acquisition changes in the net assets of the investee. Distributions received from an investee reduce the carrying amount of the investment. After the application of the equity method, Breakthrough Victoria determines whether it is necessary to recognise any impairment loss with respect to the net investment in associates.

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 equities and units in unit trusts are classified as non-current.



# Notes to the Financial Statements

continued

## 4. Key assets available to support our delivery (continued)

### (c) Details of material associates accounted for using equity method

	2023		16 March 2021 – 30 June 2022	
	Investment \$'000	Ownership %	Investment \$'000	Ownership %
Flaim Systems Pty Ltd	5,000	27.4	-	-
Evolution Trustees Limited as trustee for Genesis Pre-Seed Fund	8,050	50.0	-	-
<b>Total investments accounted for using equity method</b>	<b>13,050</b>		<b>-</b>	

Breakthrough Victoria invested in Flaim Systems Pty Ltd in April 2023 and reliable financial information was not available for the three months to balance date. Based on past performance, Breakthrough Victoria's equity accounted share of financial performance would be immaterial.

Evolution Trustees Limited as trustee for Genesis Pre-Seed Fund was newly established at the time of Breakthrough Victoria's investment and therefore did not have any financial performance information at balance date.

## 4.3 Furniture, fittings and equipment

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
Computer equipment	331	272
Accumulated depreciation	(186)	(65)
	<b>145</b>	<b>207</b>
Furniture and fittings	260	133
Accumulated depreciation	(28)	(9)
	<b>232</b>	<b>124</b>
Leasehold improvements	1,211	216
Accumulated depreciation	(212)	(33)
	<b>999</b>	<b>183</b>
<b>Net carrying amount</b>	<b>1,376</b>	<b>514</b>

	Computer equipment \$'000	Furniture and fittings \$'000	Leasehold improvements \$'000	Total \$'000
<b>Movement in carrying amounts</b>				
<b>Carrying amount at start of period</b>	-	-	-	-
Additions	272	133	216	621
Depreciation expense	(65)	(9)	(33)	(107)
<b>Carrying amount at 30 June 2022</b>	<b>207</b>	<b>124</b>	<b>183</b>	<b>514</b>
Additions	59	127	995	1,181
Depreciation expense	(121)	(19)	(179)	(319)
<b>Carrying amount at 30 June 2023</b>	<b>145</b>	<b>232</b>	<b>999</b>	<b>1,376</b>

### 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 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 periods 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

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
Right-of-use buildings	813	967
Accumulated depreciation	(305)	(155)
<b>Net carrying amount</b>	<b>508</b>	<b>812</b>
Right-of-use motor vehicles	54	-
Accumulated depreciation	(2)	-
	<b>52</b>	<b>-</b>
<b>Net carrying amount</b>	<b>560</b>	<b>812</b>

	Right-of-use Buildings \$'000	Right-of-use Motor Vehicles \$'000
<b>Movement in carrying amounts</b>		
<b>Carrying amount at start of period</b>	-	-
Additions	967	-
Depreciation expense	(155)	-
<b>Carrying amount at 30 June 2022</b>	<b>812</b>	<b>-</b>
Additions	-	54
Lease modification	(154)	-
Depreciation expense	(150)	(2)
<b>Carrying amount at 30 June 2023</b>	<b>508</b>	<b>52</b>

# Notes to the Financial Statements

continued

## 4. Key assets available to support our delivery (continued)

### 4.4 Right-of-use assets (continued)

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.

## 5. Other assets and liabilities

### Introduction to this section

This section includes other assets and liabilities that are employed by Breakthrough Victoria to support its day-to-day operating activities.

### This section contains the following disclosure:

- 5.1 Payables
- 5.2 Lease liability

### 5.1 Payables

	Note	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Current</b>			
<b>Contractual</b>			
Supplies and services		40	146
Other payables and accrued expenses		431	4,937
Grants		-	20,000
<b>Statutory</b>			
Goods and Services Tax and other taxes		672	534
<b>Total payables</b>		<b>1,143</b>	<b>25,617</b>

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. Grant payables represent liabilities for specific purpose grants where conditions have been met prior to the end of the financial year.
- 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

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
Lease liability – buildings	858	995
Lease liability – motor vehicles	52	-
<b>Total lease liabilities</b>	<b>910</b>	<b>995</b>
Current	487	201
Non-current	423	794
<b>Total lease liabilities</b>	<b>910</b>	<b>995</b>

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.



# Notes to the Financial Statements

continued

## 5. Other assets and liabilities (continued)

### 5.2 Lease liability (continued)

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.

No cash repayments were made during the reporting period as agreed with the lessor, and therefore no amounts were recognised in the Cash Flow Statement during the year (2022: Nil). There were no defaults and breaches of any leases.

#### (b) Amounts recognised in the Comprehensive Operating Statement

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
Interest expense on lease liability - buildings	18	28
Interest expense on lease liability – motor vehicles	1	-
<b>Total amount recognised in the Comprehensive Operating Statement</b>	<b>19</b>	<b>28</b>

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.

No amounts were recognised in the Cash Flow Statement during the year.

## 6. Risks and valuation judgements

<b>Introduction to this section</b> 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.	<b>This section contains the following disclosure:</b> 6.1 Financial instruments 6.2 Financial risk management 6.3 Fair values
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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 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 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 liabilities 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.

# Notes to the Financial Statements

continued

## 6. Risks and valuation judgements (continued)

### 6.1 Financial instruments (continued)

#### (iv) Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or have been transferred or 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
<b>2023</b>			
<b>Contractual financial assets</b>			
Cash and deposits	261,092	-	261,092
Investments	-	89,490	89,490
<b>Total contractual financial assets</b>	<b>261,092</b>	<b>89,490</b>	<b>350,582</b>
<b>Contractual financial liabilities</b>			
Payables <sup>(a)</sup>	471	-	471
Lease liabilities	910	-	910
<b>Total contractual financial liabilities</b>	<b>1,381</b>	<b>-</b>	<b>1,381</b>

	Financial assets /(liabilities) at amortised cost \$'000	Financial assets /(liabilities) at fair value through profit/loss \$'000	Total \$'000
<b>16 March 2021 – 30 June 2022</b>			
<b>Contractual financial assets</b>			
Cash and deposits	103,506	-	103,506
Investments	-	-	-
<b>Total contractual financial assets</b>	<b>103,506</b>	<b>-</b>	<b>103,506</b>
<b>Contractual financial liabilities</b>			
Payables <sup>(a)</sup>	25,083	-	25,083
Lease liabilities	995	-	995
<b>Total contractual financial liabilities</b>	<b>26,078</b>	<b>-</b>	<b>26,078</b>

Notes:

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

## 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.

The Company manages its credit risk by conducting due diligence such as background and credit checks prior to transacting with counterparties. Agreements with counterparties may also provide provisions for an agreement to be reviewed or rescinded upon the occurrence of specified events relating to counterparty credit or liquidity.

In addition, the Company has policies and assessment processes in place to ensure that well-defined documentation underpins each transaction. Exposure is measured on a multi-tiered basis according to factors such as the individual transaction and counterparty total and is monitored by personnel separated from the dealing function. The Company's Asset Management Committee has responsibility for the oversight and management of credit risk of the investment portfolio.

Cash and cash equivalents are held with authorised deposit-taking institutions in Australia.

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

At balance date the Company's entire investment portfolio is considered 'Not-Rated' as they are not formally rated with Standard & Poor's credit ratings (2022: Nil).

### (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 (2022: 30 days).

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 and the level of cash available. 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.

At reporting date, if equity valuation prices had been 10% higher or lower and assuming that the change takes place at the beginning of the financial year and remains constant to the balance sheet date, the Company's net profit and equity would increase or decrease by \$5.0 million (2022: Nil as there was no exposure).



# Notes to the Financial Statements

continued

## 6. Risks and valuation judgements (continued)

### 6.2 Financial risk management (continued)

#### (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 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:

	2023			16 March 2021 – 30 June 2022		
	Weighted average interest rate %	Fixed rate \$'000	Variable rate \$'000	Weighted average interest rate %	Fixed rate \$'000	Variable rate \$'000
<b>Financial assets</b>						
Cash at bank	3.04	-	261,092	0.31	-	103,506
Investments	3.11	-	39,556	-	-	-
<b>Total financial assets</b>		<b>-</b>	<b>300,648</b>		<b>-</b>	<b>103,506</b>
<b>Financial liabilities</b>						
Lease liabilities	3.80	910	-	3.80	995	-
<b>Total financial liabilities</b>		<b>910</b>	<b>-</b>		<b>995</b>	<b>-</b>

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

	2023		16 March 2021 – 30 June 2022	
	1% decrease \$'000	1% increase \$'000	1% decrease \$'000	1% increase \$'000
<b>Impact on net result and equity from a movement in interest rates</b>				
<b>Financial assets</b>				
Cash and deposits	(2,611)	2,611	(1,035)	1,035
Investments	(396)	396	-	-
<b>Total impact</b>	<b>(3,007)</b>	<b>3,007</b>	<b>(1,035)</b>	<b>1,035</b>

### (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. The Company is exposed to foreign exchange rate risk through its investments which are denominated in foreign currencies.

The foreign currency risk disclosure has been prepared on the basis of the Company's direct investments and not on a look through basis for investments held indirectly through unit trusts. Consequently, the disclosure of currency risk may not represent the true currency risk profile of Breakthrough Victoria where the unit trust has significant investments which has exposure to the currency markets.

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Impact on comprehensive result and equity from a movement in foreign exchange rates</b>		
10% decrease	3,828	-
10% increase	(3,132)	-

In the 2022 reporting period, the Company had no foreign monetary or foreign non monetary items existing at the end of the reporting period for translation.

### Foreign currency translation

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.

## 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.

# Notes to the Financial Statements

continued

## 6. Risks and valuation judgements (continued)

### 6.3 Fair values (continued)

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	• For supplies and services
• Accrued investment income	• Amounts payable to Department of Premier and Cabinet
• Other receivables	• Other payables
• Other financial assets	Borrowings
	• Lease liabilities

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.

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2023</b>					
<b>Financial assets</b>					
Cash and deposits	4.1	261,092	-	-	261,092
Investments		-	-	89,490	89,490
<b>Total financial assets</b>		<b>261,092</b>	<b>-</b>	<b>89,490</b>	<b>350,582</b>
<b>Financial liabilities</b>					
Payables <sup>(a)</sup>	5.1	-	471	-	471
Lease liabilities	5.2	-	-	910	910
<b>Total financial liabilities</b>		<b>-</b>	<b>471</b>	<b>910</b>	<b>1,381</b>

Notes:

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

	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>16 March 2021 – 30 June 2022</b>					
<b>Financial assets</b>					
Cash and deposits	4.1	103,506	-	-	103,506
Investments		-	-	-	-
<b>Total financial assets</b>		<b>103,506</b>	<b>-</b>	<b>-</b>	<b>103,506</b>
<b>Financial liabilities</b>					
Payables <sup>(a)</sup>	5.1	-	25,083	-	25,083
Lease liabilities	5.2	-	-	995	995
<b>Total financial liabilities</b>		<b>-</b>	<b>25,083</b>	<b>995</b>	<b>26,078</b>

Notes:

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

### 6.3 Fair values

#### Reconciliation of Level 3 fair value measurements of financial assets

During the current reporting period there were no (2022: Nil) 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.

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Level 3 fair value hierarchy reconciliation of investments</b>		
<b>Balance at the start of period</b>	-	-
Acquisitions	92,122	-
Gains/(losses) credited/(debited) to income	-	-
Gains/(losses) on changes in fair value	(2,632)	-
<b>Balance at the end of period</b>	<b>89,490</b>	<b>-</b>

#### Key inputs and assumptions subject to estimation uncertainty

Where valuation techniques including discounted cash flows, analysis based on multiples, comparison with similar transactions and other appropriate valuation techniques have been employed in valuing investments, the valuations are inherently subject to estimation uncertainty. Given this inherent uncertainty, the underlying inputs and assumptions are reviewed on an ongoing basis to ensure that the valuations reflect the best estimates of the economic conditions at the balance sheet date.

It is possible that the outcomes in subsequent financial years could be different due to changes in the inputs and assumptions used in the current valuation models and could require a material adjustment to the carrying amount of these financial instruments.

The Company also has investments in not traded third party managed investment funds, where fair values at balance sheet date are based on prices advised by the external fund managers as well as valuations determined by appropriately skilled independent third parties.

The disclosure below provides details of the inputs and assumptions used in the current valuation models. Where investments are held via third party pooled investment vehicles, Breakthrough Victoria is not privy to the detailed inputs and assumptions used to value the underlying assets and is therefore not in a position to provide sensitivity analysis pertaining to the fair value measurement due to changes in unobservable inputs.

An example of the key inputs and assumptions typically considered is shown below:

Investment class	Valuation methodologies	Key inputs and assumptions
Unit trusts and limited partnerships	Prices quoted on an exchange or traded in a dealer market.  Less liquid securities – net assets, unit price, third party pricing servicers, and other market accepted methodologies.	Used by third party pricing providers/fund managers: <ul style="list-style-type: none"> <li>• Risk free discount rate</li> <li>• Risk premium</li> <li>• Beta</li> <li>• Appropriate credit spread</li> <li>• Estimated future cash flows</li> <li>• Estimated future profits</li> <li>• Identification of appropriate comparable</li> <li>• Future economic and regulatory conditions</li> </ul>
Equities	Prices quoted on an exchange or traded in a dealer market.  Less liquid securities – multiples of earnings, discounted cash flow, net assets, most recent capital raise, milestones achieved, and other market accepted methodologies.	<ul style="list-style-type: none"> <li>• Risk free discount rate</li> <li>• Risk premium</li> <li>• Beta</li> <li>• Appropriate credit spread</li> <li>• Estimated future cash flows</li> <li>• Estimated future profits</li> <li>• Identification of appropriate comparable</li> <li>• Future economic and regulatory conditions</li> </ul>



# Notes to the Financial Statements

continued

## 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 Other economic flows included in net result
- 7.2 Commitments and contingencies
- 7.3 Subsequent events
- 7.4 Responsible persons
- 7.5 Remuneration of executive officers
- 7.6 Related parties
- 7.7 Other accounting policies
- 7.8 New accounting standards and interpretations

### 7.1 Other economic flows included in net result

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

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

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Net gain/(loss) on financial instruments</b>		
Net gain/(loss) on financial instruments at fair value through profit or loss	(3,325)	-
Net FX gain/(loss) arising from foreign transactions	693	-
<b>Total net gain/(loss) on financial instruments<sup>(a)</sup></b>	<b>(2,632)</b>	<b>-</b>

Notes:

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

### 7.2 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 \$25.9 million uncalled capital commitments as at 30 June 2023 (2022: Nil).

Due to the process of its investment operations, the Company had Board approved investments which had not been contracted as at 30 June 2023 in the amount of \$9.2 million, and which were still subject to further due diligence processes (2022: \$55.0 million).

#### (b) Operating commitments

The Company has no uncalled operating commitments as at 30 June 2023 (2022: \$5.0 million).

#### (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 2023 (2022: Nil).

### 7.3 Subsequent events

No material events have occurred between the balance sheet date and the date of this report, outside of the Company's normal business investment operations.

## 7.4 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 financial year are as follows:

Position	Responsible Person
Responsible Ministers	The Hon. Daniel Andrews MP. (Until 31 December 2022) Premier of Victoria  The Hon. Ben Carroll MP. (From 1 January 2023) Minister for Industry and Innovation Minister for Manufacturing Sovereignty Minister for Employment Minister for Public Transport
Accountable Officer	Mr Grant Dooley
Chairperson	The Hon. John Brumby AO
Board Member	Ms Sandra Andersen
Board Member	Dr Amanda Caples
Board Member	Ms Susanne Dahn
Board Member	Mr Joshua Funder
Board Member	Professor Jane den Hollander AO
Board Member	Mr Mark Johnson
Board Member	Mr Kee Wong

### (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.

	2023	16 March 2021 – 30 June 2022
<b>Directors</b>		
\$0 - \$9,999	2	1
\$20,000 - \$29,999	-	5
\$60,000 - \$69,999	5	-
\$70,000 - \$79,999	-	1
\$140,000 - \$149,999	1	-
\$170,000 - \$179,999	-	1
<b>Accountable Officers</b>		
\$0 - \$9,999	-	1
\$130,000 - \$139,999	-	1
\$400,000 - \$409,999	-	1
\$500,000 - \$509,999	1	-

The remuneration, including the superannuation guarantee contribution, received or receivable by responsible persons of the Company amounted to \$999,250 (2022: \$920,610).

# Notes to the Financial Statements

continued

## 7. Other disclosures (continued)

### 7.4 Responsible persons (continued)

There was no remuneration paid by the Company to one director as they were employed by the Victorian Public Service (2022: one director and one interim accountable officer), and one director provided their services on a pro bono basis (2022: one director).

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

#### (c) Remuneration of responsible Minister

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

### 7.5 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.

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Remuneration of executive officers</b>		
Short-term employee benefits <sup>(a)</sup>	2,942	1,672
Post-employment benefits	212	33
Termination benefits	176	-
<b>Total remuneration</b>	<b>3,330</b>	<b>1,705</b>
<b>Total number of executives<sup>(b)</sup></b>	<b>12</b>	<b>11</b>
<b>Total annualised employee equivalents<sup>(c)</sup></b>	<b>9.0</b>	<b>3.7</b>

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 (2022: Nil).

## 7.6 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 members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

	2023 \$'000	16 March 2021 – 30 June 2022 \$'000
<b>Remuneration of key management personnel</b>		
Short-term employee benefits	3,148	2,444
Post-employment benefits	224	77
Termination benefits	176	-
<b>Total remuneration<sup>(a)</sup></b>	<b>3,548</b>	<b>2,521</b>

Notes:

(a) There was no remuneration paid by the Company to one director as they were employed by the Victorian Public Service (2022: one director and one interim accountable officer), and one director provided their services on a pro bono basis (2022: one director).

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](http://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 (2022: Nil).

Any transactions or issues that involve related parties 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.



# Notes to the Financial Statements

continued

## 7. Other disclosures (continued)

### 7.6 Related parties (continued)

Key management person	Related party	Key management person's relationship with related party	Comments
<b>2023</b>			
John Brumby	University of Melbourne	Member, Faculty of Business and Economics Board  Spouse is a professor	Breakthrough Victoria has made an investment of \$9.0 million in the university's Genesis Fund.  In addition, as part of a co-investment into the BioTech Incubator with CSL, University of Melbourne and WEHI, Breakthrough Victoria was contracted to provide a specific purpose grant.
Kee Wong	WEHI	Non-Executive Director	As part of a co-investment into the BioTech Incubator with CSL, University of Melbourne and WEHI, Breakthrough Victoria was contracted to provide a specific purpose grant.

Key management person	Related party	Key management person's relationship with related party	Comments
<b>16 March 2021 – 30 June 2022</b>			
John Brumby	University of Melbourne	Member, Faculty of Business and Economics Board  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, University of Melbourne and WEHI, Breakthrough Victoria was contracted to provide a specific purpose grant.
Sandra Andersen	Department of Premier and Cabinet (DPC)	Chair of Audit and Risk Management Committee from January 2015 to December 2021	Breakthrough Victoria received funding from DPC.
Kee Wong	WEHI	Non-Executive Director	As part of a co-investment into the BioTech Incubator with CSL, University of Melbourne and WEHI, Breakthrough Victoria was 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 \$300.0 million (2022: \$110.0 million) during the reporting period, made up of \$75.0 million (2022: \$60.0 million) of grant income (refer Note 2.1) and \$225.0 million (2022: \$50.0 million) as Contributed Capital shown as equity within the Balance Sheet.

## 7.7 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.

## 7.8 New accounting standards and interpretations

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 report. 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.

- AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities*

This Standard amends AASB 13 *Fair Value Measurement* by adding authoritative implementation guidance and illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. Applies to annual reporting periods beginning on or after 1 January 2024.

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 standards 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.

# Notes to the Financial Statements

continued

## 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.

**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 Chairperson, 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*, *Corporations Regulations 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, gives a true and fair view of the financial transactions for the year ended 30 June 2023 and the financial position of Breakthrough Victoria Pty Ltd at 30 June 2023.

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 23 August 2023.



**The Hon. John Brumby AO**  
Chairperson



**Grant Dooley**  
Chief Executive Officer



**Narelle Van Vledder**  
Chief Financial Officer

Melbourne  
23 August 2023

## 10. 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 \$1.8 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)
\$1,054,457	\$719,923	\$569,608	\$150,315

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, as applicable.

### 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's Public Interest Disclosure Policy outlines our commitment to ensuring transparency and accountability in our 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 the 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](mailto:info@ibac.vic.gov.au)

## 10. Corporate Compliance

continued

### 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.

### Environmental Reporting

Breakthrough Victoria's accommodation is leased from Apprenticeships Victoria, which includes the provision of electricity. Fleet services are provided by VicFleet. Relevant reporting on associated environmental impacts is captured by these entities.

Breakthrough Victoria is committed to proactively contributing to a sustainable environment and continues 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.

### Compliance with the *Building Act 1993*

Breakthrough Victoria does not own or control any government buildings and is consequently exempt from notifying its compliance with the building and maintenance provisions of the *Building Act 1993*.

### 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 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 the reporting period, there were nine consultancies where the total fees paid or payable were \$10,000 or greater, excluding GST. The total expenditure was \$1,552,191, 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)	Expenditure in the previous reporting period \$ (excl GST)	Future expenditure \$ (excl GST)
Accenture Australia Pty Ltd	Development of IT strategy and roadmap	340,000	340,000	-	-
Akuna Solutions Pty Ltd	Implementation of ERP	164,020	164,020	-	-
Ashurst Australia Pty Ltd	Corporate legal services	227,273	120,610	11,265	95,398
Brooke Institute Pty Ltd	Implementation of CRM	587,881	405,588	181,405	888
Data Agility Pty Ltd	Consultation of IT data strategy	60,000	60,000	-	-
Decker Advisory Pty Ltd	Corporate legal services	35,900	35,900	-	-
Ernst & Young	Commercial accounting, modelling and taxation advisory services	525,260	250,768	274,492	-
PricewaterhouseCoopers	Compliance consultancy	24,990	24,990	-	-
Today Strategic Design Pty Ltd	Website design and build	346,850	150,315	196,535	-

For the financial year, there were three consultancies where the total fees paid or payable were less than \$10,000, excluding GST.

# 11. Compliance Index

The Breakthrough Victoria 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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