

DEEResearch Limited
Statement of Comprehensive Revenue and Expense
For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Research Revenue			
Exchange Revenue			
Deer Industry New Zealand Research Trust		600,339	684,654
DPT Funding		-	85,000
Non Exchange Revenue			
AgResearch Limited		1,333,000	1,367,000
Joint Venture Research Consortium - Share of MBIE Grant Funding	1	93,000	95,000
Other Exchange Revenue			
Deer Industry New Zealand - Administration Funding		12,541	17,324
AgResearch Limited - Administration Funding		12,541	17,324
Joint Venture Research Consortium - Share of Other Revenue	1	18,000	20,000
Total Revenue		2,069,421	2,286,302
Less Expenditure			
Research Expenditure			
Funded by MBIE through AgResearch		1,333,000	1,367,000
Pastoral Greenhouse Gas Consortium - Share Research Expenditure	70,000	67,000	
Pastoral Genomics Consortium - Share Research Expenditure	51,000	66,000	
Johnes Disease Research Consortium - Share Research Expenditure	66,000	74,000	
		187,000	207,000
HTDIP Expenditure		409,920	418,081
Research Projects - Other		92,296	143,695
AgResearch share of DPT Funding		-	85,000
Project Management		53,200	53,878
Total Research Expenditure		2,075,416	2,274,654
Administration Expenditure			
Director's Fees and Expenses	2	14,225	11,551
Audit Fees		10,130	9,778
Accounting Fees		1,000	11,423
Sundry Expenses		25,225	31,227
Total Administration Expenditure		50,580	63,979
Communication Expenditure			
Annual Report		2,502	2,669
Total Communication Expenditure		2,502	2,669
Total Expenditure		2,128,498	2,341,302
Total Comprehensive Revenue and Expenses Before Taxation and Interests in Joint Ventures		(59,077)	(55,000)
Change in Proportionate Share in Consortium Net Assets		29,077	2,347
Impairment of Proportionate Share in Pastoral Genomics on Cessation of Funding	14	(17,530)	
Total Comprehensive Revenue and Expenses Before Taxation		(47,530)	(52,653)
Taxation		-	-
Total Comprehensive Revenue and Expenses After Taxation		(47,530)	(52,653)

These Financial Statements should be read in conjunction with the notes to the Financial Statements.

DEEResearch Limited

Statement of Changes in Equity For the year ended 30 June 2015

	Note	2015 \$	2014 \$
Opening Equity		169,140	221,793
Net Result After Taxation		(47,530)	(52,653)
Total Recognised Gains and Losses		(47,530)	(52,653)
Closing Equity		121,610	169,140

Statement of Financial Position As at 30 June 2015

		2015 \$	2014 \$
Share Capital	3	120	120
Retained Earnings		121,490	169,020
Total Equity		121,610	169,140
<i>Represented by:</i>			
Current Assets			
Cash & Cash equivalents	4	158,996	215,407
Accounts Receivable	5	255,633	224,736
Share Capital Due		120	120
Total Current Assets		414,749	440,263
Current Liabilities			
Accounts Payable	6	98,045	123,153
Related Parties Payables		195,094	151,970
Total Current Liabilities		293,139	275,123
Non Current Assets			
Patents		-	4,000
		-	4,000
Net Assets		121,610	169,140

These Financial Statements were approved and signed on behalf of the Board of Directors by:

Director

Date

Director

Date

These Financial Statements should be read in conjunction with the notes to the Financial Statements.

DEEResearch Limited
Statement of Cashflows
For the year ended 30 June 2015

	2015	2014
	\$	\$
Cash flows from Operating Activities		
Receipts from Deer Industry New Zealand Research Trust	563,814	634,964
Receipts from AgResearch	-	85,000
Receipts - Administration Funding	27,082	36,682
Payments to Research Providers	(565,163)	(737,041)
Payments for Administration	(25,082)	(34,648)
	<hr/>	<hr/>
Net cash inflow from Operating Activities	651	(15,043)
Cashflows from Investing Activities	-	-
Cashflows from Financing Activities	-	-
	<hr/>	<hr/>
Net increase in cash and cash equivalents	651	(15,043)
Cash and cash equivalents at the beginning of the year	1,345	16,388
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Cash and cash equivalents at the end of the year	<u>1,996</u>	<u>1,345</u>

These Financial Statements should be read in conjunction with the notes to the Financial Statements.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2015

REPORTING ENTITY

These are the financial statements for DEEResearch Limited, a company registered under the Companies Act 1993 and incorporated on 20 August 2001.

The shareholders of DEEResearch Limited (the 'Company') are AgResearch Limited ('AgResearch') (50%) and Deer Industry New Zealand ('DINZ') (50%). The objectives of the Company are to research non-velvet related deer products.

The shareholders have agreed to work together and apply their respective capacities for their mutual benefit and the benefit of the New Zealand deer industry. In particular, the shareholders will participate on a long-term basis in research and development relevant to deer farming and processing of deer products except velvet antler.

The Company is designated as a public benefit entity (PBE) for financial reporting purposes. The financial statements for the Company are for the year ended 30 June 2015, and were approved by the Board on xx November 2015.

BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period. The Company is supported by its shareholder entities (AgResearch and DINZ)

Statement of compliance

The financial statements of the Company are subject to the requirements of the Public Audit Act 2001 which includes the requirement to comply with Public Benefit Entity Accounting Standards (PBE).

The financial statements have been prepared in accordance with Tier 2 PBE accounting standards. The Company is eligible to report using Tier 2 PBE accounting standards due to it being non-publicly accountable and non large.

The Company has taken full advantage of the exemptions available under the framework.

These financial statements comply with PBE accounting standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. There are no material adjustments relating to the transition to the new PBE accounting standards.

DEEResearch Limited

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

Presentation currency and rounding

The financial statements are presented in New Zealand dollars.

Goods and Services Tax

The financial statements are prepared exclusive of GST with the exception of receivables and payables, which are stated inclusive of GST.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue

The specific accounting policies for significant revenue items are explained below:

Funding from the Deer Industry New Zealand Research Trust (Exchange revenue)

The Company receives grant funding following application to the Deer Industry Research Trust (DINZRT). If an application is approved by the trustees of DINZRT, funding is only released on achievement of milestones. Where milestones have been achieved funding is accrued in the financial statements and recognised as revenue.

Joint Venture Funding from the Ministry of Business, Employment and Innovation (MBIE) (Non-exchange revenue)

The research joint ventures receive grant funding following application to MBIE. Funding is recognised when received and with the expectation milestones have been achieved and the conditions of MBIE funding have been met. Funding is recognised as revenue in proportion to the Company's ownership interest in each consortium.

Funding from AgResearch Core Funding from MBIE (Non-exchange revenue)

AgResearch's contribution to the Company is via their Core Funding contract with the Crown, the benefit of which is vested in the Company. The expenditure related to this funding is reported in the financial statements of the Company and is also accounted for within AgResearch and offsetting revenue is recorded exactly equal in amount to the expenditure associated with this research.

While AgResearch consults with the deer industry and with the Company in the development of these funding proposals, the Company does not have control of nor responsibility for activity as part of this programme.

Interests in Joint Ventures

The Company holds a direct interest in three unincorporated joint venture research consortiums (the 'Consortiums'), which are Pastoral Greenhouse Gas Research Consortium 1.37% holding (2014: 1.39%), Pastoral Genomics Research Consortium 1.27% holding (2014: 1.0%) and Johne's Disease Research Consortium 12.0% holding (2014: 12.0%) respectively. The interests in the unincorporated joint ventures have

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2015

been accounted for using the proportionate method which best reflects the Company's contribution and share of the joint, across industry initiatives.

The proportionate method of accounting for joint ventures applies the following principles for the Company's share in each with separate disclosure of:

- MBIE non-exchange revenue,
- Other revenue,
- Research expenditure, and
- Administration expenditure.

The Company's contracted funding for each joint venture has been eliminated on proportionate consolidation.

The share of cash contributions in each consortium is not always consistent amongst partners annually which creates a variance between net asset movement and the proportionate surplus or deficit reported by each of the joint ventures. Adjustments to reflect this annually are recognised in the Statement of Comprehensive Revenue and Expense as "Change in Proportionate Share in Consortium Net Assets".

The unincorporated joint ventures have balance dates of 30 June 2015.

Income Tax

The income tax expense charged against the profit for the year is the estimated liability in respect of that profit and is calculated after an allowance for permanent differences.

Future tax benefits attributable to tax losses or timing differences are only recognised when it is probable that taxable profits will be available against which the tax losses or timing differences can be utilised.

Research

All research expenditure incurred by the Company during the year has been expensed.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with registered banks and other short term highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are stated at expected realisable value.

Accounts Payable

Short term payables are recorded at their face value.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2015

1. Joint Venture Revenue

The Company's share of joint venture revenue comprises of:

Research Grant Funding	2015	2014
	\$	\$
Pastoral Genomics Research Consortium	28,000	30,000
Pastoral Greenhouse Gas Research Consortium	32,000	32,000
Johne's Disease Research Consortium	33,000	33,000
	93,000	95,000

Other Revenue	2015	2014
	\$	\$
Pastoral Genomics Research Consortium	1,000	1,000
Johne's Disease Research Consortium	17,000	19,000
	18,000	20,000

2. Administration Expenditure

The composition of administration expenditure between the Company and its joint venture proportionate share is as follows:

The Company	2015	2014
	\$	\$
Director's Fees and Expenses	10,225	8,551
Audit Fees	9,130	8,778
Accounting Fees	1,000	11,423
Sundry Expenses	2,225	3,227
	22,580	31,979

Joint Ventures	2015	2014
	\$	\$
Director's Fees and Expenses	4,000	3,000
Audit Fees	1,000	1,000
Sundry Expenses	23,000	28,000
	28,000	32,000

3. Share Capital

	2015	2014
120 ordinary shares (unpaid)	\$120	\$120

All shares have equal voting rights and share equally in dividends and surplus on winding up.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2015

4. Cash and cash equivalents

Cash and cash equivalents comprise of:

	2015	2014
	\$	\$
Cash at bank	1,996	1,345
Share of Joint Ventures		
Pastoral Genomics Research Consortium	-	12,000
Pastoral Greenhouse Gas Research Consortium	25,000	34,000
Johnes Disease Research Consortium	132,000	168,062
	158,996	215,415

5. Accounts Receivable

Accounts receivable comprise of:

	2015	2014
	\$	\$
Related Party - Deer Industry New Zealand Research Trust	215,173	163,078
Other Related Party Receivables	28,845	46,658
Share of Joint Venture Accounts Receivable		
Pastoral Genomics Research Consortium	-	5,000
Pastoral Greenhouse Gas Research Consortium	2,000	1,000
Johnes Disease Research Consortium	9,615	9,000
	255,633	224,736

6. Accounts Payable

Accounts payable comprise:

	2015	2014
	\$	\$
Accounts payable and accruals	45,962	54,153
Share of Joint Venture Accounts Payable		
Pastoral Genomics Research Consortium	-	22,000
Pastoral Greenhouse Gas Research Consortium	18,563	26,000
Johnes Disease Research Consortium	33,520	21,000
	98,045	123,153

7. Related Parties

During the year to 30 June 2015 funding contributions were made to Pastoral Greenhouse Gas Research Consortium \$35,000 (2014: \$35,000), and Pastoral Genomics Research Consortium \$9,923 (2014: \$34,000) No funding was made to Johne's Disease Research Consortium during the year ending 30 June 2015 (2014: nil).

DEEResearch Limited

Notes to and forming part of the Financial Statements

For the year ended 30 June 2015

8. AgResearch Limited research revenue contribution to the Company

In addition to research funded directly by the Company, AgResearch also invests in research relevant to the deer industry.

During the year to 30 June 2015, AgResearch carried out a deer (non-velvet) research programme to the value of \$1,333,000 (2014: \$1,367,000) which was funded from their Core Funding.

9. Directors Remuneration

The Company paid directors fees of \$6,000 (2014: \$6,000) to Collier Issacs (Chairman). No other directors fees were paid to directors or the Company.

10. Commitments

The following funding arrangements have been made by the Company subject to milestones being achieved. These commitments are as follows:

Contracted	2015	2014
	\$	\$
Not later than one year	480,667	541,653
Later than 1 year and not later than 2 years	35,000	408,000
Later than 2 years and not later than 5 years	70,000	-
Approved but not contracted	2015	2014
	\$	\$
Not later than one year	20,000	34,000
Later than 1 year and not later than 2 years	-	34,000
Later than 2 years and not later than 5 years	-	102,000
Later than 5 years	-	34,000

11. Financial Instruments

The Company is party to financial instruments as part of its everyday operations. These include instruments such as bank balances, accounts receivable and trade creditors.

Revenues and expenses in relation to all financial instruments are recognised in the Statement of Comprehensive Revenue and Expense. All financial instruments are recognised in the Statement of Financial Position.

The Company does not utilise foreign currency or interest rate derivatives.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2015

12. Contingencies

The Company has unconditional guarantees to the other partners in the unincorporated joint ventures (Pastoral Greenhouse Gas Research Consortium, Pastoral Genomics Research Consortium and Johne's Disease Research Consortium) which:

- a. guarantee the due performance and observance of the guaranteed obligations by the unincorporated joint ventures; and
- b. indemnify against any loss or damage due to any breach of the unincorporated joint venture agreements.

13. Adjustments arising on transition to the new PBE accounting standards

There are no material differences arising from the transition from previous GAAP to PBE Standards affected in the Company's reported financial position, statement of comprehensive revenue and expense.

The 2014 comparative financial statements have been amended to proportionately account for the joint ventures into specific revenue, expense and balance sheet classifications. There has been no change to either the reported deficit for the year ended 30 June 2014 or the equity position as at 30 June 2014.

14. Subsequent Events

On 9 October 2015 the Company gave notice to the Pastoral Genomics Research Consortium that it intended to cease funding of the consortium at the conclusion of the financial year ended 30 June 2015. One equity contribution of \$29,970 was outstanding at year end and this was paid in October 2015. The corresponding amount has been received from the Deer Industry New Zealand Research Trust.

The carrying value of the Company's proportionate share of Pastoral Genomics net assets has been impaired to nil at year end.

There were no events subsequent to the balance date requiring disclosure in the financial statements for the 2014 financial year.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF DEERESEARCH LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

The Auditor-General is the auditor of DEEResearch Limited (the "Company"). The Auditor-General has appointed me, Trevor Deed, using the staff and resources of Deloitte, to carry out the audit of the financial statements of the Company, on her behalf.

Opinion

We have audited the financial statements of the Company on pages 1 to 10, which comprise the statement of financial position as at 30 June 2015, the statement of comprehensive revenue and expense, statement of changes in equity and cashflow statement for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the company:

- Present fairly, in all material respects:
 - its financial position as at 30 June 2015; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand; and have been prepared in accordance with PBE Standards RDR.

Our audit was completed on 27 November 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of the financial statements that fairly reflect the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Board of Directors;
- the adequacy of all disclosures in the financial statements; and
- the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Board of Directors

The Board of Directors is responsible for preparing financial statements for the company that comply with generally accepted accounting practice in New Zealand.

The Board of Directors' responsibilities arise from the Crown Research Institutes Act 1992.

The Board of Directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for the publication of the financial statements, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

Other than the audit, we have no relationship with or interests in the company.



Trevor Deed
Deloitte
On behalf of the Auditor-General
Wellington, New Zealand

This audit report relates to the financial statements of DEEResearch Limited for the year ended 30 June 2015 included on the Company's website. The Company's Board of Directors is responsible for the maintenance and integrity of the Company's website. We have not been engaged to report on the integrity of the Company's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 27 November 2015 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.