

DEEResearch Limited
Statement of Comprehensive Revenue and Expense
For the year ending 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--|---------|------------------|------------------|
| Research Revenue | | | |
| Exchange Revenue | | | |
| Deer Industry New Zealand Research Trust | | 563,174 | 600,339 |
| Non-Exchange Revenue | | | |
| AgResearch Limited | 1 | 1,333,000 | 1,333,000 |
| Joint Venture Research Consortium - Share of MBIE Grant Funding | | 65,000 | 93,000 |
| Other Exchange Revenue | | | |
| Deer Industry New Zealand - Administration Funding | | 13,775 | 12,541 |
| AgResearch Limited - Administration Funding | 1 | 13,775 | 12,541 |
| Joint Venture Research Consortium - Share of Other Revenue | | 9,000 | 18,000 |
| Total Income | | 1,997,724 | 2,069,421 |
| Less Expenditure | | | |
| Research Expenditure | | | |
| Funded by MBIE through AgResearch | | 1,333,000 | 1,333,000 |
| Pastoral Greenhouse Gas Consortium - Share of Research Expenditure | 68,000 | | 70,000 |
| Pastoral Genomics Consortium | 29,997 | | 51,000 |
| Johnes Disease Research Consortium - Share of Research Expenditure | 107,000 | | 66,000 |
| | | 204,997 | 187,000 |
| Hitting Targets - AgResearch Limited | | 439,281 | 409,920 |
| Research Projects - Other | | 5,000 | 92,296 |
| Project Management - Deer Industry New Zealand | | 53,896 | 53,200 |
| Total Research Expenditure | | 2,036,174 | 2,075,416 |
| Administration Expenditure | | | |
| Director's Fees and Expenses | | 12,436 | 14,225 |
| Audit Fees | | 10,640 | 10,130 |
| Accounting Fees | | 3,000 | 1,000 |
| Sundry Expenses | | 33,110 | 25,225 |
| Total Administration Expenditure | 2 | 59,186 | 50,580 |
| Communication Expenditure | | | |
| Annual Report | | 3,364 | 2,502 |
| Total Communication Expenditure | | 3,364 | 2,502 |
| Total Expenditure | | 2,098,724 | 2,128,498 |
| Net Result Before Taxation and Interests in Joint Ventures | | (101,000) | (59,077) |
| Change in Proportionate Share in Consortium Net Assets | | 3,385 | 29,077 |
| Impairment of Proportionate Share in Pastoral Genomics on Cessation of Funding | | - | (17,530) |
| Net Result Before Taxation | | (97,615) | (47,530) |
| Taxation | | - | - |
| Net Result After Taxation | | (97,615) | (47,530) |

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 ending 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|-----------------------------------|-------|----------------|----------------|
| Opening Accumulated Funds | | 121,610 | 169,140 |
| Net Result After Taxation | | (97,615) | (47,530) |
| Total Recognised Gains and Losses | | (97,615) | (47,530) |
| Closing Accumulated Funds | | 23,995 | 121,610 |

DEEResearch Limited
Statement of Financial Position
As at 30 June 2016

| | | 2016 \$ | 2015 \$ |
|----------------------------------|---|----------------|----------------|
| Share Capital | 3 | 120 | 120 |
| Retained Earnings | | 23,875 | 121,490 |
| Accumulated Funds | | 23,995 | 121,610 |
| <i>Represented by:</i> | | | |
| Current Assets | | | |
| Cash and Cash Equivalents | 4 | 121,950 | 158,996 |
| Accounts Receivable | 5 | 228,689 | 255,633 |
| Share Capital Due | | 120 | 120 |
| Total Current Assets | | 350,759 | 414,749 |
| Current Liabilities | | | |
| Accounts Payable | 6 | 133,755 | 98,045 |
| Related Party Payables | | 193,009 | 195,094 |
| Total Current Liabilities | | 326,764 | 293,139 |
| Net Assets | | 23,995 | 121,610 |

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

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

Director

Director

Director

DEEResearch Limited
Cash Flow Statement
For the year ending 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|---|----------|-----------------------|-----------------------|
| Cash flows from Operating Activities | | | |
| Receipts from Deer Industry New Zealand Research Trust | | 585,380 | 569,442 |
| Receipts from Government Funding | | 65,000 | 93,000 |
| Receipts - Administration Funding | | 43,288 | 43,082 |
| Payments to Research Providers | | (668,164) | (708,853) |
| Payments for Administration | | (62,550) | (53,082) |
| | | <hr/> | <hr/> |
| Net cash outflow from Operating Activities | | (37,046) | (56,411) |
| Cash flows from Investing Activities | | - | - |
| Cash flows from Financing Activities | | - | - |
| | | <hr/> | <hr/> |
| Net decrease in Cash and cash equivalents | | (37,046) | (56,411) |
| Cash and cash equivalents at the beginning of the year | | 158,996 | 215,407 |
| Cash and cash equivalents at the end of the year | 4 | <u>121,950</u> | <u>158,996</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 2016

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 2016, and were approved by the Board on 30 November 2016.

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 Deer Industry New Zealand are required 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.

Presentation Currency and Rounding

The financial statements are presented in New Zealand dollars.

Goods and Services Tax

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

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 when the expected 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. 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 (2015: 1.37%), Pastoral Genomics Research Consortium 1.27% holding (2015: 1.27%) and Johne's Disease Research Consortium 12.0% holding (2015: 12.0%) respectively. The interests in the unincorporated joint ventures have been accounted for using the proportionate method which best reflects the Company's contribution and share of the joint, across industry initiatives.

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

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

financial year ended 30 June 2016. One equity contribution of \$29,997 was outstanding at prior year end and this was paid in October 2015.

The carrying value of the Company's proportionate share of Pastoral Genomics net assets was impaired to nil at 30 June 2015.

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 2016.

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.

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

Accounts Payable

Short term payables are recorded at their face value.

1. Joint Venture Revenue

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

| Research Grant Funding | 2016 | 2015 |
|---|---------------|---------------|
| | \$ | \$ |
| Pastoral Genomics Research Consortium | - | 28,000 |
| Pastoral Greenhouse Gas Research Consortium | 32,000 | 32,000 |
| Johne's Disease Research Consortium | 33,000 | 33,000 |
| | 65,000 | 93,000 |

| Other Revenue | 2016 | 2015 |
|---------------------------------------|--------------|---------------|
| | \$ | \$ |
| Pastoral Genomics Research Consortium | 1,000 | 1,000 |
| Johne's Disease Research Consortium | 8,000 | 17,000 |
| | 9,000 | 18,000 |

2. Administration Expenditure

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

| | 2016 | 2015 |
|------------------------------|---------------|---------------|
| | \$ | \$ |
| The Company | | |
| Director's Fees and Expenses | 8,436 | 10,225 |
| Audit Fees | 9,640 | 9,130 |
| Accounting Fees | 3,000 | 1,000 |
| Sundry Expenses | 3,110 | 2,225 |
| | 24,186 | 22,580 |

| | 2016 | 2015 |
|------------------------------|---------------|---------------|
| | \$ | \$ |
| Joint Ventures | | |
| Director's Fees and Expenses | 4,000 | 4,000 |
| Audit Fees | 1,000 | 1,000 |
| Sundry Expenses | 30,000 | 23,000 |
| | 35,000 | 28,000 |

3. Share Capital

| | 2016 | 2015 |
|------------------------------|-------------|-------------|
| | \$ | \$ |
| 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 2016

4. Cash and Cash Equivalents

Cash and cash equivalents comprise of:

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$ | \$ |
| Cash at bank | 950 | 1,996 |
| Share of Joint Ventures | | |
| Pastoral Greenhouse Gas Research Consortium | 42,000 | 25,000 |
| Johne's Disease Research Consortium | 79,000 | 132,000 |
| | 121,950 | 158,996 |

5. Accounts Receivable

Accounts receivable comprise of:

| | 2016 | 2015 |
|--|----------------|----------------|
| | \$ | \$ |
| Related Party - Deer Industry New Zealand Research Trust | 193,580 | 215,173 |
| Other Related Party Receivables | 22,109 | 28,845 |
| Share of Joint Venture Accounts Receivable | | |
| Pastoral Greenhouse Gas Research Consortium | 5,000 | 2,000 |
| Johne's Disease Research Consortium | 8,000 | 9,615 |
| | 228,689 | 255,633 |

6. Accounts Payable

Accounts payable comprise:

| | 2016 | 2015 |
|--|----------------|---------------|
| | \$ | \$ |
| Accounts payable and accruals | 18,673 | 45,962 |
| Share of Joint Venture Accounts Payable | | |
| Pastoral Greenhouse Gas Research Consortium | 36,602 | 18,563 |
| Johne's Disease Research Consortium | 78,480 | 33,520 |
| | 133,755 | 98,045 |

7. Related Parties

During the year to 30 June 2016 funding contributions were made to Pastoral Greenhouse Gas Research Consortium \$35,000 (2015: \$35,000), and Pastoral Genomics Research Consortium \$29,997 (2015: \$9,923) No funding was made to Johne's Disease Research Consortium during the year ending 30 June 2016 (2015: nil).

DEEResearch Limited
Notes to and forming part of the Financial Statements
For the year ended 30 June 2016

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 2016, AgResearch carried out a deer (non-velvet) research programme to the value of \$1,333,000 (2015: \$1,333,000) which was funded from their Core Funding.

9. Directors Remuneration

The Company paid directors fees of \$6,000 (2015: \$6,000) to Collier Isaacs (Chairman). No other directors' fees were paid to directors of 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 | 2016 | 2015 |
|---|-------------|-------------|
| | \$ | \$ |
| Not later than one year | 35,000 | 480,667 |
| Later than 1 year and not later than 2 years | 35,000 | 35,000 |
| Later than 2 years and not later than 5 years | 35,000 | 70,000 |
| Approved but not contracted | 2016 | 2015 |
| | \$ | \$ |
| Not later than one year | - | 20,000 |
| Later than 1 year and not later than 2 years | - | - |
| Later than 2 years and not later than 5 years | - | - |
| Later than 5 years | - | - |

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 2016

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. Prior Period Error Cash Flow Statement

The cash flow statement in 2015 did not include the Company's share of the cash movements from the unincorporated joint ventures. The 2015 cash flow statement has been restated to include the Company's share of cash balances and share of cash flows.

This restatement has increased the previously reported closing cash and cash balances of \$1,996 at 30 June 2015 by \$157,000. These cash balances are not available to the Company as they are committed to each of the unincorporated joint ventures.

14. Subsequent Events

There were no events subsequent to the balance date requiring disclosure in the financial statements for the 2016 financial year.

The Johne's Disease Research Consortium completed its final year of operation on 30 June 2016. Any remaining intellectual property will be transferred back to the partners in proportion to their share in the consortium.

