

**DEERESEARCH LIMITED  
ANNUAL REPORT 2018**

The directors of DEEResearch Limited (the 'Company') have pleasure in presenting the 2018 annual report to our shareholders Deer Industry New Zealand and AgResearch Ltd. The report includes all information required to be disclosed under the Companies Act 1993 excluding specific disclosures exempted by the Companies Act 1993 section 211(3) approved by shareholders.

**Principal Activity**

The principal activity of the Company is deer research and extension.

**Registered Office**

Level 5, 154 Featherston Street, Wellington.

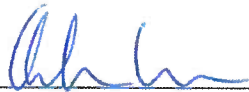
**Financial Performance**

The Company reported an after tax surplus of \$18,000 for the year ended 30 June 2018 (2017: Surplus \$520). The detailed financial statements of the Company are presented on pages 1 to 10.

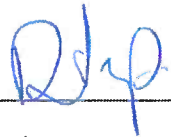
**Shareholders**

All ordinary shares of the Company are owned by Deer Industry New Zealand and AgResearch Ltd.

For and on behalf of the Board of Directors:



Director



Director

1 November 2018

Date

1 November 2018

Date

**DEEResearch Limited**  
**Statement of Comprehensive Revenue and Expense**  
**For the year ended 30 June 2018**

	Note	2018 \$	2017 \$
<b>Research Revenue - Exchange Revenue</b>			
Deer Industry New Zealand Research Trust - Research Joint Ventures		35,000	35,000
Deer Industry New Zealand Research Trust - Research Other		374,850	408,000
Deer Industry New Zealand Research Trust - Project Management		62,355	59,445
<b>Non-Exchange Revenue</b>			
AgResearch Limited		1,333,000	1,333,000
Joint Venture Research Consortium - Share of MBIE Grant Funding	1	30,000	31,000
<b>Other Exchange Revenue</b>			
Deer Industry New Zealand Administration Funding		14,188	11,630
AgResearch Limited Administration Funding		14,188	11,630
Joint Venture Research Consortium - Share of Other Revenue	1	1,000	2,000
<b>Total Revenue</b>		<b>1,864,581</b>	<b>1,891,705</b>
<b>Less Expenditure</b>			
<b>Research Expenditure</b>			
Funded by MBIE through AgResearch		1,333,000	1,333,000
Research Projects - Joint Ventures PGGRC		50,000	56,000
Research Projects - Joint Ventures JDRC		-	(2,000)
Hitting Targets - AgResearch Ltd		374,850	413,220
Project Management		62,355	59,445
<b>Total Research Expenditure</b>		<b>1,820,205</b>	<b>1,859,665</b>
<b>Administration Expenditure</b>			
Director's Fees and Expenses		8,546	5,319
Audit Fees		7,630	9,590
Accounting Fees		3,000	-
Sundry Expenses		12,380	10,561
<b>Total Administration Expenditure</b>	2	<b>31,556</b>	<b>25,470</b>
<b>Communication Expenditure</b>			
Annual Report		2,820	2,790
<b>Total Communication Expenditure</b>		<b>2,820</b>	<b>2,790</b>
<b>Total Expenditure</b>		<b>1,854,581</b>	<b>1,887,925</b>
<b>Total Comprehensive Revenue and Expenses Before Taxation and Interests in Joint Ventures</b>			
		<b>10,000</b>	<b>3,780</b>
Change In Proportionate Share In Consortium Net Assets		<b>8,000</b>	<b>(3,260)</b>
<b>Total Comprehensive Revenue and Expenses Before Taxation</b>		<b>18,000</b>	<b>520</b>
<b>Taxation</b>		<b>-</b>	<b>-</b>
<b>Total Comprehensive Revenue and Expenses After Taxation</b>		<b>18,000</b>	<b>520</b>

These Financial Statements should be read in conjunction with the notes to the Financial Statements on pages 7 to 10.

**DEEResearch Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2018**


	Note	2018 \$	2017 \$
<b>Opening Accumulated Funds</b>		<b>24,515</b>	<b>23,995</b>
Total Comprehensive Revenue and Expenses After Taxation		18,000	520
		<u>18,000</u>	<u>520</u>
<b>Closing Accumulated Funds</b>		<b><u>42,515</u></b>	<b><u>24,515</u></b>

**DEEResearch Limited**  
**Statement of Financial Position**  
**As at 30 June 2018**

		2018 \$	2017 \$
Share Capital	3	120	120
Retained Earnings		42,395	24,395
<b>Accumulated Funds</b>		<b><u>42,515</u></b>	<b><u>24,515</u></b>
<i>Represented by:</i>			
<b>Current Assets</b>			
Cash & Cash Equivalents	4	13,348	21,997
Share of JV Investment		40,000	19,000
Accounts Receivable	5	178,500	209,583
Share Capital Due		60	60
<b>Total Current Assets</b>		<b><u>231,908</u></b>	<b><u>250,640</u></b>
<b>Current Liabilities</b>			
Accounts Payable	6	189,393	226,125
<b>Total Current Liabilities</b>		<b><u>189,393</u></b>	<b><u>226,125</u></b>
<b>Net Assets</b>		<b><u>42,515</u></b>	<b><u>24,515</u></b>

  
 Director

**1 November 2018**

  
 Director

**1 November 2018**

These Financial Statements should be read in conjunction with the notes to the Financial Statements on pages 7 to 10.

**DEEResearch Limited**  
**Cash Flow Statement**  
**For the year ended 30 June 2018**

	Notes	2018 \$	2017 \$
<b>Cash flows from Operating Activities</b>			
Receipts from Deer Industry New Zealand Research Trust		500,597	508,063
Receipts from Government Funding		30,000	31,000
Receipts - Administration Funding		37,068	25,748
Payments to Research Providers		(515,531)	(617,564)
Payments for Administration		(39,783)	(28,260)
		<b>12,351</b>	<b>(81,013)</b>
<b>Cash flows from Investing Activities</b>			
Share of JV purchase of investments		(21,000)	(19,000)
		<b>(21,000)</b>	<b>(19,000)</b>
<b>Cash flows from Financing Activities</b>			
Share Capital received		-	60
		<b>-</b>	<b>60</b>
<b>Net Increase/(Decrease) in Cash and cash equivalents</b>			
		<b>(8,649)</b>	<b>(99,953)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		21,997	121,950
<b>Cash and cash equivalents at the end of the year</b>	<b>4</b>	<b>13,348</b>	<b>21,997</b>

These Financial Statements should be read in conjunction with the notes to the Financial Statements on pages 7 to 10.

**DEEResearch Limited**  
**Notes to and forming part of the Financial Statements**  
**For the year ended 30 June 2018**

**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 2018, and were approved by the Board on 1 November 2018.

**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 Reduced Disclosure Regime (PBE Standard RDR).

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 as applicable for Tier 2 PBE entities.

**Presentation Currency and Rounding**

**DEEResearch Limited**  
**Notes to and forming part of the Financial Statements**  
**For the year ended 30 June 2018**

The financial statements are presented in New Zealand dollars and rounded to the nearest dollar.

**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 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 two unincorporated joint venture research consortiums (the 'Consortiums'), which are Pastoral Greenhouse Gas Research Consortium 1.32% holding (2017: 1.34%) and Pastoral Genomics Research Consortium 0.325% holding (2017: 0.325%) 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.

**DEEResearch Limited**  
**Notes to and forming part of the Financial Statements**  
**For the year ended 30 June 2018**

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 2018.

**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.

**Changes in Accounting Policies**

There have been no changes in accounting policies.

## DEEResearch Limited

### Notes to and forming part of the Financial Statements For the year ended 30 June 2018

#### 1. Joint Venture Revenue

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

<b>Research Grant Funding</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Pastoral Greenhouse Gas Research Consortium	30,000	31,000
	<b>30,000</b>	<b>31,000</b>

<b>Other Revenue</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Pastoral Greenhouse Gas Research Consortium	1,000	1,000
Johne's Disease Research Consortium	-	1,000
	<b>1,000</b>	<b>2,000</b>

#### 2. Administration Expenditure

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>The Company</b>		
Director's Fees and Expenses	8,546	6,319
Audit Fees	7,630	9,460
Accounting Fees	3,000	-
Sundry Expenses	6,380	4,691
	<b>25,556</b>	<b>20,470</b>
<b>Joint Ventures</b>		
Director's Fees and Expenses	-	(1,000)
Audit Fees	100	130
Sundry Expenses	5,900	5,870
	<b>6,000</b>	<b>5,000</b>

#### 3. Share Capital

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
120 ordinary shares (AgResearch Ltd unpaid)	120	120

All shares have equal voting rights and share equally in dividends and surplus on winding up. During the year, Deer Industry New Zealand paid up its uncalled capital.



**DEEResearch Limited**  
**Notes to and forming part of the Financial Statements**  
**For the year ended 30 June 2018**

**4. Cash and Cash Equivalents**

Cash and cash equivalents comprise of:

	<b>2018</b>	<b>2017</b>
	\$	\$
Cash at bank	5,348	3,997
<b>Share of Joint Ventures</b>		
Pastoral Greenhouse Gas Research Consortium	8,000	18,000
	<b>13,348</b>	<b>21,997</b>

**5. Accounts Receivable**

Accounts receivable comprise of:

	<b>2018</b>	<b>2017</b>
	\$	\$
Related Party - Deer Industry New Zealand Research Trust	159,570	187,962
Other Related Party Receivables	13,930	21,621
<b>Share of Joint Venture Accounts Receivable</b>		
Pastoral Greenhouse Gas Research Consortium	5,000	-
	<b>178,500</b>	<b>209,583</b>

**6. Accounts Payable**

Accounts payable comprise:

	<b>2018</b>	<b>2017</b>
	\$	\$
Accounts payable and accruals	13,229	18,635
Other Related Party Payables	160,601	189,927
<b>Share of Joint Venture Accounts Payable</b>		
Pastoral Greenhouse Gas Research Consortium	15,563	17,563
	<b>189,393</b>	<b>226,125</b>

**7. Related Parties**

DEEResearch is a participant in the Pastoral Greenhouse Gas Research Consortium with a 1.32% holding. During the year to 30 June 2018 funding contributions were made to Pastoral Greenhouse Gas Research Consortium of \$35,000 (2017: \$35,000).

Research costs are funded 100% by the Deer Industry Research Trust which a charitable research Trust established by Deer Industry New Zealand.

Administration costs are funded equally between the shareholders Deer Industry New Zealand and AgResearch Ltd.

**DEEResearch Limited**  
**Notes to and forming part of the Financial Statements**  
**For the year ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>AgResearch</b>		
Income Funding contribution	1,333,000	1,333,000
Income Administration Funding	14,188	11,630
Research Expenses	1,333,000	1,333,000
Hitting Targets Research	374,850	413,220
Receivables for Administration Funding	9,548	13,374
Payables for Research	87,862	119,600
<b>Deer Industry New Zealand</b>		
Income Administration Funding	14,188	11,630
Project management expenses	62,355	59,445
Receivables for Administration Funding	4,382	8,248
Payables for project management and administration expenses	72,739	70,328
<b>Deer Industry Research Trust</b>		
Income research grant funding	409,850	443,000
Income project management funding	62,355	59,445
Receivables for Research grant funding	159,570	187,961

**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 2018, AgResearch carried out a deer (non-velvet) research programme to the value of \$1,333,000 (2017: \$1,333,000) which was funded from their Core Funding.

**9. Directors Remuneration**

The Company paid directors fees of \$7,000 (2017: \$6,000) to Collier Isaacs (Chairman). No other directors' fees were paid to directors of the Company.

**DEEResearch Limited**  
**Notes to and forming part of the Financial Statements**  
**For the year ended 30 June 2018**

**10. Commitments**

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

<b>Contracted</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	35,000	35,000
Later than 1 year and not later than 2 years	-	35,000
Later than 2 years and not later than 5 years	-	-
<b>Approved but not contracted</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	-	408,000
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.

**12. Contingencies**

The Company has unconditional guarantees to the other partners in the unincorporated joint ventures (Pastoral Greenhouse Gas Research Consortium and Pastoral Genomics 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. Subsequent Events**

There were no events subsequent to the balance date requiring disclosure in the financial statements for the 2018 financial year.



## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF DEERESearch LIMITED'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 Limited, to carry out the audit of the financial statements of the Company, on his behalf.

#### Opinion

We have audited the financial statements of the Company on pages 1 to 10, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows 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 2018; and
  - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Tier 2 Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 1 November 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

#### Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand). Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

#### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible on behalf of the company for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.



The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors has to cease operations, or has no realistic alternative but to do so.

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

### **Responsibilities of the auditor for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, 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 our 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.
- We 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### **Independence**

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out assignments in the area of income tax compliance, which are compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the Company.

A handwritten signature in blue ink, appearing to read "T. Deed", enclosed within a circular scribble.

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